EARTHRENEW INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of EarthRenew Inc.

Opinion

We have audited the consolidated financial statements of EarthRenew Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and as at that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

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inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 19, 2021

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current			
Cash		$ 953,768	$ 434,208
Receivables		113,192	163,888
Digital assets		-	2,700
Prepaid expenses		365,883	77,623
Net investment in lease	4(b)	-	297,670
Total current assets		1,432,843	976,089
Non-current			
Plant and equipment	3	4,176,232	4,177,402
Prepaid expenses		30,000	-
Intangible assets		-	23,550
TOTAL ASSETS		**$ 5,639,075**	**$ 5,177,041**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5	$ 561,288	$ 925,137
Current portion of lease liabilities	4(a)	30,019	356,051
Total current liabilites		591,307	1,281,188
Non-current liabilities			
Long-term portion of lease liabilities	4(a)	363,304	63,227
TOTAL LIABILITIES		**954,611**	**1,344,415**
EQUITY			
Share capital	6	14,515,909	11,241,434
Warrants	6	1,097,804	35,511
Share-based payments reserve	6	1,087,976	947,163
Deficit		(12,017,225)	(8,391,482)
TOTAL EQUITY		**4,684,464**	**3,832,626**
TOTAL LIABILITIES AND EQUITY		**$ 5,639,075**	**$ 5,177,041**

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Approved on behalf of the Directors:

"Keith Driver"
Director

"Catherine Stretch"
Director

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

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the years ended December 31,	Note	2020	2019
Electricity sales		$ 506,859	$ 182,700
Cost of goods sold		(176,948)	(96,562)
		329,911	86,138
EXPENSES			
Professional, consulting and management fees	5	2,180,743	726,407
Share-based payments	6	392,546	126,313
General and administrative		326,210	162,724
Field studies and engineering costs		292,030	-
Shareholder communications, filing fees and promotions		628,526	176,066
Utilities and maintenance		91,770	170,128
Travel and accommodation		5,395	6,304
Depreciation	3	301,596	108,233
Foreign exchange loss (gain)		8,740	(3,052)
Total expenses before other items		4,227,556	1,473,123
OTHER ITEMS			
Other income		65,493	12,696
(Loss) on asset disposal	3	(45,324)	-
Net (loss) and comprehensive (loss) for the year		**$ (3,877,476)**	**$ (1,374,289)**
Net (loss) per share - basic and diluted		$ (0.08)	$ (0.05)
Weighted average number of shares outstanding - basic and diluted		46,658,067	29,336,209

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

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of shares #	Share capital $	Warrants $	Share-based payment reserve $	Deficit $	Total $
Balance, December 31, 2018	**28,969,764**	**10,631,745**	**-**	**829,500**	**(6,978,926)**	**4,482,319**
IFRS 16 adjustment - modified approach	-	-	-	-	(46,917)	(46,917)
Private placement, net of issue costs	4,567,333	609,689	35,511	-	-	645,200
Stock options granted	-	-	-	126,313	-	126,313
Stock options expired	-	-	-	(8,650)	8,650	-
Loss for the year	-	-	-	-	(1,374,289)	(1,374,289)
Balance, December 31, 2019	**33,537,017**	**11,241,434**	**35,511**	**947,163**	**(8,391,482)**	**3,832,626**
Private placements, net of issue costs	20,647,840	4,336,768	-	-	-	4,336,768
Warrants granted	-	(1,062,293)	1,062,293	-	-	-
Stock options granted	-	-	-	392,546	-	392,546
Stock options cancelled	-	-	-	(251,733)	251,733	-
Loss for the year	-	-	-	-	(3,877,476)	(3,877,476)
Balance, December 31, 2020	**54,184,857**	**14,515,909**	**1,097,804**	**1,087,976**	**(12,017,225)**	**4,684,464**

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

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Note	Year ended December 31, 2020	2019
CASH (USED IN) PROVIDED BY:			
OPERATING ACTIVITIES			
Net (loss)		$ (3,877,476)	$ (1,374,289)
Items not affecting cash:			
Depreciation	3	301,596	108,233
Share-based compensation	6	392,546	126,313
Interest payable		14,015	12,093
Loss on asset disposal	3	45,324	-
Change in non-cash working capital items:			
Accounts receivable		50,696	(74,280)
Digital assets		2,700	1,417
Prepaid expenses		(318,260)	(44,413)
Accounts payable and accrued liabilities		(363,849)	213,540
Net cash (used in) operating activities		**(3,752,708)**	**(1,031,386)**
FINANCING ACTIVITIES			
Private placement proceeds	6	4,551,352	685,100
Cost of issue	6	(214,584)	(39,900)
Lease payments		(64,500)	(66,000)
Loans repaid	5	-	(54,479)
Net cash provided by financing activities		**4,272,268**	**524,721**
INVESTING ACTIVITIES			
Disposition of plant and equipment	3	-	55,000
Net cash provided by investing activities		**-**	**55,000**
INCREASE (DECREASE) IN CASH DURING THE YEAR		519,560	(451,665)
CASH - BEGINNING OF YEAR		434,208	885,873
CASH - END OF YEAR		**$ 953,768**	**$ 434,208**
SUPPLEMENTAL CASH FLOW INFORMATION			
Broker warrants issued	6	$ 219,993	$ 35,511

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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, including 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. The Company's head office is located at 65 Queen Street West, 9th Floor, Toronto, Ontario, Canada, M5H 2M5.

These 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 December 31, 2020, the Company has working capital of $841,536 (December 31, 2019 – working capital deficiency of $305,099) and continuing losses, with an accumulated deficit of $12,017,225 (December 31, 2019 - $8,391,482). 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.

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 annual consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations, effective for the Company's reporting for the year ended December 31, 2020. The policies set out below were consistently applied to all the periods presented unless otherwise noted. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 19, 2021.

2. BASIS OF PRESENTATION (continued)

b) Basis of preparation

These annual consolidated financial statements have been prepared on a going concern basis, under the historical convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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.

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, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

New standards and amendments 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 adoption of this standard did not have any effect on the Company's financial statements.

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.

2. BASIS OF PRESENTATION (continued)

c) New and future accounting policies (continued)

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.

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 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.

2. BASIS OF PRESENTATION (continued)

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

- 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.

- 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.

- 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 years presented in these consolidated financial statements, unless otherwise stated.

2. BASIS OF PRESENTATION (continued)

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 consolidated 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.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statements of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through fair value of other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – Financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss. Cash, net investment in lease, and receivables held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss and comprehensive loss. The Company measures its digital assets at FVPL.

2. BASIS OF PRESENTATION (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss and comprehensive loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalents, net investment in lease, and receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognizes lifetime ECLs for receivables and net investments in leases. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, lease liabilities which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

2. BASIS OF PRESENTATION (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement – Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL

Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Taxation

Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the consolidated statement of loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. BASIS OF PRESENTATION (continued)

Deferred income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

General

Provisions are recognised when (a) the Company has a present obligation (legal or constructive) as a result of a past event and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current risk free pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive. As at December 31, 2020 and 2019, all of the Company's stock options and warrants were anti-dilutive.

Plant and Equipment

Items of plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is recorded on a straight-line basis using the following rates:

Electricity equipment – five years.
Equipment – four years.
Plant and building- twenty-five years.

2. BASIS OF PRESENTATION (continued)

Impairment of non-financial assets

At each statement of financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Restoration, rehabilitation and environmental obligations

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The increase in provisions for restoration, rehabilitation and environmental obligations due to the passage of time is charged to profit or loss as a finance cost. The Company did not have any material restoration, rehabilitation and environmental obligations as of December 31, 2020 and 2019.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive leadership team, which comprises the executive directors and certain senior executives. The executive leadership team is responsible for assessing the performance of the operating segments for the purpose of making decisions about resources to be allocated. Operating segments are combined for external reporting purposes where they have similar economic characteristics, and the nature of products and production processes, the type and class of customers and the methods to distribute products are all similar. As at December 31, 2020 and 2019, the Company only has one segment.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

2. BASIS OF PRESENTATION (continued)

Share-based payments (continued)

The Company operates an employee stock option plan. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to deficit.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the provision of services in the ordinary course of business. The Company derives revenue from electricity sales. Electricity sales are generated from its turbine and the Company sells that electricity to the Alberta energy grid. Revenue is recognized according to the five-step model in IFRS 15, Revenue from contracts with customers. Revenue from electricity sales is recognized at the time the electricity is transferred to the Alberta energy grid, and payment is due within thirty days of transfer. All of the Company's revenue is attributed to two customers, domiciled in Canada.

Leases

Lessee

At the 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. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any 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. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. 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 subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Finance lease – lessor

At commencement date, the Company recognizes assets held under finance leases in its consolidated statements of financial position as a receivable at the amount equal to the net investment in the lease. The net investment in the lease is calculated as the present value of lease payments, using the interest rate implicit in the lease. For subleases, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate under the primary lease. The Company recognizes finance income over the lease term using the effective interest rate method.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Government grants

Government grants are transfers of resources to an entity by government in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government assistance is action by government designed to provide an economic benefit that is specific to an entity or range of entities qualifying under certain criteria.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized as income.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized in profit or loss of the period in which it becomes receivable.

3. PLANT AND EQUIPMENT

A reconciliation of the carrying amount for the years ended December 31, 2020 and 2019 is as follows**:**

	Equipment	Electricity Equipment	Plant and Buildings	Right-of-use assets (land)	Total
Cost as at December 31, 2018	**$ 61,479**	**$ 500,000**	**$ 3,660,804**	**$ -**	**$ 4,222,283**
Adoption of IFRS 16, modified approach	-	-	-	428,659	428,659
Disposals	-	-	(55,000)	-	(55,000)
Cost as at December 31, 2019	**$ 61,479**	**$ 500,000**	**$ 3,605,804**	**$ 428,659**	**$ 4,595,942**
Disposals	(61,479)	-	-	-	(61,479)
Modification of lease	-	-	-	322,200	322,200
Cost as at December 31, 2020	**$ -**	**$ 500,000**	**$ 3,605,804**	**$ 750,859**	**$ 4,856,663**
Accumulated Depreciation					
Balance at December 31, 2018	**$ 10,246**	**$ -**	**$ -**	**$ -**	**$ 10,246**
Adoption of IFRS 16, modified approach	**-**	**-**	**-**	300,061	300,061
Charge for the period	15,370	50,000	-	42,863	108,233
Balance at December 31, 2019	**$ 25,616**	**$ 50,000**	**$ -**	**$ 342,924**	**$ 418,540**
Charge for the period	14,088	100,000	144,232	43,276	301,596
Disposals	(39,705)	-	-	-	(39,705)
Balance at December 31, 2020	**$ -**	**$ 150,000**	**$ 144,232**	**$ 386,200**	**$ 680,432**
Net book value as at December 31, 2019	**$ 35,863**	**$ 450,000**	**$ 3,605,804**	**$ 85,735**	**$ 4,177,402**
Net book value as at December 31, 2020	**$ -**	**$ 350,000**	**$ 3,461,572**	**$ 364,659**	**$ 4,176,232**

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

(Expressed in Canadian dollars)

4. NET INVESTMENT IN LEASE AND LEASE LIABILITIES

(a) 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 Company has lease agreements in place for land as well as office premises (also described in (b) below). The Company is party to an agreement to lease office space. On September 30, 2014, the Company entered into an indemnity agreement with 2227929 Ontario Inc., who agreed to incur all obligations related to this lease agreement and to release the Company from any and all claims, liability for personal injury, and loss of income or damages. The lease was renewed in 2020 and a termination provision was included, allowing the Company to terminate the agreement within 12 months. As a result of the termination provision, the lease is no longer presented as a lease liability and net investment in lease. Subsequent to December 31, 2020, the Company exercised the termination provision and terminated the lease.

The following table reflects the lease activity for the years ended December 31, 2020 and 2019:

Balance, December 31, 2018	**$**	**-**
Adoption of IFRS 16		831,927
Interest expense		49,120
Lease payments for the period		(461,769)
Balance, December 31, 2019	**$**	**419,278**
Interest expense		21,988
Lease payments for the period		(370,143)
Lease renewal		322,200
Balance, December 31, 2020	**$**	**393,323**

The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

2021	$	60,000
2022		60,000
2023		60,000
2024		60,000
2025		61,500
2026		66,000
2027		66,000
2028		66,000
2029		49,500
Total contractual cash flows	**$**	**549,000**
Less: interest		(155,677)
Lease liabilities	**$**	**393,323**

(b) Net investment in lease

The Company entered into finance leasing arrangements as a lessor for office premises. These premises were originally leased by the Company, and subsequently sub-leased. The following is a reconciliation from the undiscounted lease payments to the net investment in lease:

(Expressed in Canadian dollars)

4. **NET INVESTMENT IN LEASE AND LEASE LIABILITIES (continued)**

Balance, December 31, 2018	**$**	**-**
Net investment in lease		656,412
Interest income		37,027
Lease payments for the period		(395,769)
Balance, December 31, 2019	**$**	**297,670**
Interest income		7,973
Lease payments for the period		(305,643)
Balance, December 31, 2020	**$**	**-**

5. 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 was made on January 17, 2019.

		Loan from Directors
Balance, December 31, 2018	**$**	**54,479**
Interest expense		114
Loan repaid		(54,593)
Balance, December 31, 2019 and December 31, 2020	**$**	**-**

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends. During the years ended December 31, 2020 and 2019, the remuneration of directors and other key management personnel are as follows:

	Year ended December 31,			
		2020		**2019**
Management fees	$	368,668	$	253,000
Share-based payments		226,804		111,370

At December 31, 2020, the Company had $126,405 (December 31, 2019 - $314,750) owing to its key management. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or “due on demand”, included in accounts payable and accrued liabilities.

During 2020, the Company granted 788,333 options with an exercise price of $0.33 expiring June 5, 2025 to directors and officers of the Company (Note 6).

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

During 2019, the Company granted 1,000,000 options with an exercise price of $0.10 expiring July 8, 2024, and granted 1,400,000 options with an exercise price of $0.06 expiring October 25, 2024 to directors and officers of the Company (Note 6).

6. SHARE CAPITAL

Authorized

Unlimited number of voting common shares, without par value

Issued and outstanding common shares

	Number of Shares	Amount
	#	$
Balance, December 31, 2018	**28,969,764**	**10,631,745**
Private placement	4,567,333	685,100
Warrant valuation	-	(35,511)
Issuance costs	-	(39,900)
Balance, December 31, 2019	**33,537,017**	**11,241,434**
Private placements	20,647,840	4,551,352
Warrant valuations	-	(1,062,293)
Issuance costs	-	(214,584)
Balance, December 31, 2020	**54,184,857**	**14,515,909**

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 133,471,292 common shares outstanding, and following the consolidation had 44,490,350 common shares outstanding. All current and comparative common share amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

On November 28, 2019, the Company closed a private placement financing by issuing 4,567,333 common shares at a price of $0.15 per share for gross proceeds of $685,100. The Company paid finders fees of $39,900 in cash and issued 266,000 finders warrants. Each warrant is exercisable into one common share of the Company at a price of $0.30 per warrant until November 28, 2021. The fair value of the warrants issued was estimated at $35,511 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.08; expected dividend yield of 0%; expected volatility of 118%; risk-free interest rate of 1.59% and an expected life of 2 years. Aberdeen International Inc. subscribed for 1,000,000 common shares of this private placement for proceeds of $150,000. An officer of the Company is also an officer of Aberdeen International Inc.

On February 20, 2020, the Company closed a private placement financing by issuing 10,953,333 common shares at a price of $0.15 per share for gross proceeds of $1,643,000. The Company paid finders fees of $76,510 in cash and issued 510,066 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.30 per warrant until February 20, 2022. The fair value of the warrants issued was estimated at $116,214 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.09; expected dividend yield of 0%; expected volatility of 203%; risk-free interest rate of 1.45% and an expected life of 2 years. A director of the Company subscribed for 3,700,000 common shares of this private placement for proceeds of $185,000.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Issued and outstanding common shares (continued)

On July 24, 2020, the Company closed a private placement financing by issuing 6,977,840 units at a price of $0.30 per unit for gross proceeds of $2,093,352. Each unit consists of one common share of the Company, and one-half of one common share purchase warrant, entitling the holder of a whole warrant to acquire one additional common share at an exercise price of $0.45 until July 24, 2022. The Company paid finders fees of $79,524 in cash and issued 265,078 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.45 per warrant until July 24, 2022. The fair value of the 3,488,920 warrants and 265,078 finder warrants was estimated at $605,085 and $59,275, respectively, using the Black-Scholes option pricing model with the following assumptions: stock price of $0.275; expected dividend yield of 0%; expected volatility of 205%; risk-free interest rate of 0.45% and an expected life of 2 years. Directors and officers of the Company subscribed for 3,736,667 common shares of this private placement for proceeds of $1,121,000.

If at any time after four months and one day from the closing of the first tranche, the Company's common shares trade at $0.90 per share or higher on the CSE for a period of 30 consecutive days, the Company will have the right (but not the obligation) to accelerate the expiry date of the warrants to the date that is 30 days after the Company issues a news release announcing the exercise of the acceleration right.

On October 14, 2020, the Company closed a private placement financing by issuing 2,716,667 units at a price of $0.30 per unit for gross proceeds of $815,000. Each unit consists of one common share of the Company, and one-half of one common share purchase warrant, entitling the holder of a whole warrant to acquire one additional common share at an exercise price of $0.45 until October 14, 2022. The Company paid finders fees of $57,050 in cash and issued 190,167 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.45 per warrant until October 14, 2022. The fair value of the 1,358,334 warrants and 190,167 finder warrants was estimated at $237,216 and $44,503, respectively, using the Black-Scholes option pricing model with the following assumptions: stock price of $0.285; expected dividend yield of 0%; expected volatility of 207%; risk-free interest rate of 0.24% and an expected life of 2 years. A director of the Company subscribed for 2,666,667 common shares of this private placement for proceeds of $800,000.

If at any time after four months and one day from the closing of the second tranche, the Company's common shares trade at $0.90 per share or higher on the CSE for a period of 30 consecutive days, the Company will have the right (but not the obligation) to accelerate the expiry date of the warrants to the date that is 30 days after the Company issues a news release announcing the exercise of the acceleration right.

Warrants

The following is a summary of changes in warrants for the years ended December 31, 2020 and 2019:

	No. of warrants #	Weighted Average Exercise Price $	Value of warrants $
December 31, 2018	**-**	**-**	**-**
Granted	266,000	0.30	35,511
December 31, 2019	**266,000**	**0.30**	**35,511**
Granted	5,812,565	0.44	1,062,293
December 31, 2020	**6,078,565**	**0.43**	**1,097,804**

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Warrants (continued)

The following summarizes the warrants outstanding as of December 31, 2020:

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
266,000	266,000	28-Nov-19	28-Nov-21	$ 0.30	$ 35,511	118%	2.00	0%	1.59%
510,066	510,066	20-Feb-20	20-Feb-22	$ 0.30	$ 116,214	203%	2.00	0%	1.45%
3,488,920	3,488,920	24-Jul-20	24-Jul-22	$ 0.45	$ 605,085	205%	2.00	0%	0.45%
265,078	265,078	24-Jul-20	24-Jul-22	$ 0.45	$ 59,275	205%	2.00	0%	0.45%
1,358,334	1,358,334	13-Oct-20	13-Oct-22	$ 0.45	$ 237,216	207%	2.00	0%	0.24%
190,167	190,167	13-Oct-20	13-Oct-22	$ 0.45	$ 44,503	207%	2.00	0%	0.24%
6,078,565	**6,078,565**				**$ 1,097,804**				

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 2,328,200 warrants outstanding, and following the consolidation had 776,066 warrants outstanding. All current and comparative warrant amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The weighted-average remaining contractual life of the warrants as of December 31, 2020 is 1.55 years (December 31, 2019: 1.91 years).

The Company's outstanding warrants were valued at the fair value of the instruments issued, determined using the Black-Scholes option pricing model, using the above inputs.

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.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share-based payments reserve (continued)

The following is a summary of changes in options for the years ended December 31, 2020 and 2019:

	No. of options #	Weighted Average Exercise Price $	Value of options $
December 31, 2018	**1,750,000**	**0.66**	**829,500**
Granted	1,125,000	0.24	126,313
Expired	(16,667)	0.75	(8,650)
December 31, 2019	**2,858,333**	**0.51**	**947,163**
Granted	1,500,000	0.32	392,546
Expired	(593,333)	0.62	(251,733)
December 31, 2020	**3,765,000**	**0.41**	**1,087,976**

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 11,295,000 options outstanding, and following the consolidation had 3,765,000 options outstanding. All current and comparative option amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The consolidated number of stock options outstanding as at December 31, 2020 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
923,333	923,333	18-Jul-17	18-Jul-21	$ 0.75	$ 479,210	100%	4.00	0%	1.48%
291,667	291,667	22-Aug-17	22-Aug-22	$ 0.42	$ 96,250	202%	5.00	0%	1.53%
450,000	450,000	8-Jul-19	8-Jul-24	$ 0.30	$ 34,830	105%	5.00	0%	1.57%
600,000	600,000	25-Oct-19	25-Oct-24	$ 0.18	$ 85,140	110%	5.00	0%	1.57%
333,333	250,000	2-Apr-20	2-Apr-25	$ 0.30	$ 56,896	147%	5.00	0%	0.59%
1,166,667	1,166,667	5-Jun-20	5-Jun-25	$ 0.33	$ 335,650	135%	5.00	0%	0.52%
3,765,000	**3,681,667**				**$ 1,087,976**				

On April 2, 2020, the Company granted 333,333 options to a consultant of the Company pursuant to the Company's stock option plan. 83,333 options vested on the date of grant and the remaining 250,000 options vest in equal increments of 83,333 every three months thereafter. Each option may be exercised to acquire one common share of the Company at an exercise price of $0.30 for a period of five years from the date of grant. At December 31, 2020, 83,333 options were remaining to vest.

On June 5, 2020, the Company granted 1,166,167 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options vested immediately and each option may be exercised to acquire one common share of the Company at a price of $0.33 for a period of five years from the date of grant.

During the year ended December 31, 2020, the Company recorded share-based payment expense of $392,546 (December 31, 2019: 3,375,000 stock options granted and share-based payment expense of $126,313). The weighted-average grant date fair value of the options granted during the year ended December 31, 2020 was $0.26 (December 31, 2019: $0.04).

6. SHARE CAPITAL (continued)

Share-based payments reserve (continued)

The weighted average remaining life of the outstanding options at December 31, 2020 is 3.04 years (December 31, 2019: 2.94 years). During the year ended December 31, 2020, 593,333 options were cancelled in accordance with the Plan and $251,733 was recorded against deficit (year ended December 31, 2019: 50,000 options cancelled with $8,650 recorded against deficit).

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.

On October 25, 2019, the Company granted 1,825,000 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 $0.06 per common share for a period of 5 years from the date of issue.

The fair value of the options issued during the year was determined using the Black-Scholes option pricing model, using the above inputs. Volatility was estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The expected life in years represents the period of time that the options granted are expected to be outstanding. The risk-free interest rate was based on Bank of Canada government bonds with a remaining term equal to the expected life of the options.

7. 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 years ended December 31, 2020 and 2019.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body.

7. CAPITAL MANAGEMENT (continued)

On October 8, 2020, the Company entered into an equity financing facility (the "Facility") for up to $10,000,000 with Alumina Partners (Ontario) Ltd. ("Alumina"), an affiliate of New York-based private equity firm Alumina Partners LLC. The investment agreement provides the Company with an at-will financing facility over a period of 24 months during which the Company can draw down, at its sole discretion, equity private placement tranches of up to $500,000. Each tranche will be composed of units, with each unit consisting of one common share of the Company and one common share purchase warrant, at discounts between 15 and 25 percent of the closing price of the common shares on the day prior to the Company's drawdown notice to Alumina. The exercise price of the warrants will be at a 25 percent premium over market at the time of issuance and the warrants will have a term of 60 months. Each draw down from the Facility may be subject to approval of the Canadian Securities Exchange. All securities issued pursuant to a financing under the Facility will be subject to a statutory hold period that expires four months and one day from issuance. As at December 31, 2020, no drawdowns under the facility had taken place.

8. 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.

Receivables
Management does not believe the Company has significant concentration of credit risk. All of the receivables from contracts with customers, totaling $49,746 (2019 - $111,525), are due from two customers (2019 – two customers). There is no history of losses from receivables and there are no overdue receivables as at December 31, 2020 and 2019.

(Expressed in Canadian dollars)

8. FINANCIAL RISK MANAGEMENT (continued)

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 December 31, 2020, 78% of the accounts payable and accrued liabilities was owing to four vendors (2019 – 67% to three vendors). As at December 31, 2020, the Company had limited net working capital and at December 31, 2019, the Company had negative 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.

9. 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, and accordingly no provision for loss has been recognized.

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately $960,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments upon termination under these contracts are approximately $330,000.

In addition to the leases accounted for in accordance with IFRS 16 (notes 3 and 4), the Company has decided to avail itself of the IFRS exemption for short-term leases. Pursuant to a short-term lease, the Company has obligations of $302,441 due in 2021.

10. INCOME TAXES

a) Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019-26.5%) to the effective tax rate is as follows:

	2020 $	2019 $
(Loss) before income taxes	(3,877,476)	(1,374,290)
Expected income tax recovery based on statutory rate	(1,028,000)	(364,000)
Adjustment to expected income tax recovery:		
Share based compensation	104,000	33,000
Other	(4,000)	-
Change in benefit of tax assets not recognized	928,000	331,000
Deferred income tax provision (recovery)	-	-

(Expressed in Canadian dollars)

10. INCOME TAXES (CONTINUED)

b) Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2020 $	2019 $
Unrecognized deferred tax assets		
Non-capital loss carry-forwards	17,173,000	13,739,000
Share issue costs	196,000	32,000
Mineral property costs	1,635,000	1,635,000
Plant and equipment	348,000	259,000
Total	19,352,000	15,665,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) Tax loss carry-forwards

As at December 31, 2020, the Company has non-capital tax losses for Canadian income tax purposes of approximately $17,173,000 available to use against future taxable income. The non-capital losses expire as follows:

Year of Expiry	Amount ($)
2025	582,000
2026	1,115,000
2027	1,440,000
2028	877,000
2029	831,000
2030	1,173,000
2031	1,235,000
2032	728,000
2033	540,000
2034	241,000
2035	168,000
2036	618,000
2037	1,608,000
2038	1,436,000
2039	1,441,000
2040	3,140,000
	17,173,000

11. SUBSEQUENT EVENTS

On February 18, 2021, the Company signed a non-binding letter of intent, pursuant to which, subject to execution of a definitive agreement, completion of customary conditions precedent and regulatory approvals, the Company will acquire 100% of the issued and outstanding shares of Replenish Nutrients Ltd., a privately held regenerative fertilizer and nutrient company located in Okotoks, Alberta, from certain of its existing shareholders.

Subsequent to December 31, 2020, 99,999 of the Company's stock options and 1,059,666 of the Company's warrants were exercised, generating gross proceeds of $441,150.