



**POND TECHNOLOGIES HOLDINGS INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**(Canadian dollars in thousands)**

**(UNAUDITED)**



## **NOTICE OF NON-REVIEWED INTERIM CONDENSED 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 financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Pond Technologies Holdings Inc. (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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Pond Technologies Holdings Inc.

## Interim Condensed Consolidated Statements of Financial Position

(Canadian dollars in thousands)

(Unaudited)

	Note	Sept 30, 2021	Dec 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 2,159	\$ 156
Receivables	4	1,209	912
Inventories	5	215	179
Prepaid expenses and other assets		305	133
		<b>3,888</b>	<b>1,380</b>
<b>Non-Current assets</b>			
Intangibles	6	1,742	1,942
Capital assets	8	1,180	1,266
Contract receivables	14	506	552
Deferred income taxes		822	822
Right-of-use assets	12	150	237
<b>Total assets</b>		<b>\$ 8,288</b>	<b>\$ 6,199</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 1,634	\$ 3,030
Current portion of loans payable	10	332	2,978
Current portion of lease liabilities	12	35	80
Deferred contract revenue	14	923	386
		<b>2,924</b>	<b>6,474</b>
<b>Non-Current liabilities</b>			
Long-term portion of loans payable	10	1,883	40
Convertible debenture	11	1,955	1,787
Long-term portion of lease liabilities	12	160	174
Liabilities of discontinued operations	2	-	104
<b>Total liabilities</b>		<b>\$ 6,922</b>	<b>\$ 8,579</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	13	\$ 36,042	\$ 29,909
Contributed surplus	13	8,194	8,047
Accumulated deficit		(42,870)	(40,336)
<b>Shareholders' equity (deficiency)</b>		<b>1,366</b>	<b>(2,380)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 8,288</b>	<b>\$ 6,199</b>

Description of business and going concern (Note 1)

Commitments and contingencies (Note 19)

Subsequent events (Note 20)

Approved on behalf of the Board:

"Jacob Gamble"  
Director

"Grant Smith"  
Director

See accompanying notes to the consolidated financial statements.

# Pond Technologies Holdings Inc.

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Canadian dollars in thousands, except per share and weighted average figures)

(Unaudited)

Period ended September 30,	Note	Three Months		Nine Months	
		2021	2020	2021	2020
<b>Revenue</b>					
Revenue	18	\$ 2,163	\$ 1,275	\$ 4,364	\$ 3,367
<b>Expenses</b>					
Direct costs and expenses	18	1,260	1,100	3,039	2,719
Operating expenses	18	331	299	1,088	1,068
General and administrative expense	15	816	215	1,575	839
Amortization	6, 8, 12	173	81	453	242
Stock-based compensation	13	140	12	500	234
		2,720	1,707	6,655	5,102
<b>Operating loss</b>		\$ (557)	\$ (432)	\$ (2,291)	\$ (1,735)
<b>Other income / (expense)</b>					
Interest income		-	-	1	1
Financial expenses	16	(238)	(220)	(483)	(593)
<b>Net loss from continuing operations</b>		<b>(795)</b>	<b>(652)</b>	<b>(2,773)</b>	<b>(2,327)</b>
<b>Discontinued operations</b>					
Net gain (loss) from discontinued operations	2	-	(2,352)	239	(2,523)
<b>Net loss and comprehensive loss</b>		<b>\$ (795)</b>	<b>\$ (3,004)</b>	<b>\$ (2,534)</b>	<b>\$ (4,850)</b>
Weighted average number of shares outstanding		45,277,566	28,800,966	39,929,802	24,148,746
<b>Loss per share, basic and diluted</b>					
Continuing operations		\$ (0.02)	\$ (0.02)	\$ (0.07)	\$ (0.10)
Discontinued operations		0.00	(0.08)	0.01	(0.10)
		\$ (0.02)	\$ (0.10)	\$ (0.06)	\$ (0.20)

See accompanying notes to the consolidated financial statements.

# Pond Technologies Holdings Inc.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the nine months ended September 30, 2021

(Canadian dollars in thousands, except number of shares and warrants)

(Unaudited)

	Number of Shares	Number of Warrants	Share Capital			Contributed Surplus	Accumulated Deficit	Total
			Issued Share Capital	Reserve For Exchangable Shares	Total Share Capital			
<b>Balance - December 31, 2019</b>	<b>22,675,469</b>	<b>7,655,205</b>	<b>\$ 24,838</b>	<b>\$ 3,750</b>	<b>\$ 28,588</b>	<b>\$ 7,697</b>	<b>\$ (33,720)</b>	<b>\$ 2,565</b>
Shares issued (Note 13)	5,036,328	-	766	-	766	-	-	766
Shares issued from Reserve shares (Note 13)	1,548,134	-	929	(929)	-	-	-	-
Shares issued from deferred share units	84,906	-	21	-	21	(21)	-	-
Warrants issued (Note 13)	-	4,048,000	-	-	-	513	-	513
Issuance costs	-	-	(30)	-	(30)	(19)	-	(49)
Agent Warrants expired	-	(192,075)	461	-	461	(461)	-	-
Grant of deferred share units (Note 13)	-	-	-	-	-	94	-	94
Stock-based compensation expense	-	-	-	-	-	141	-	141
Net loss for the period	-	-	-	-	-	-	(4,850)	(4,850)
<b>Balance - September 30, 2020</b>	<b>29,344,837</b>	<b>11,511,130</b>	<b>\$ 26,985</b>	<b>\$ 2,821</b>	<b>\$ 29,806</b>	<b>\$ 7,944</b>	<b>(38,570)</b>	<b>(820)</b>
Shares issued (Note 13)	181,761	-	60	-	60	-	-	60
Shares issued from deferred share units	-	-	37	-	37	(37)	-	-
Grant of deferred share units (Note 13)	-	-	-	-	-	57	-	57
Agent Warrants expired	-	-	6	-	6	(6)	-	-
Stock-based compensation expense	-	-	-	-	-	89	-	89
Net loss for the period	-	-	-	-	-	-	(1,766)	(1,766)
<b>Balance - December 31, 2020</b>	<b>29,526,598</b>	<b>11,511,130</b>	<b>\$ 27,088</b>	<b>\$ 2,821</b>	<b>\$ 29,909</b>	<b>\$ 8,047</b>	<b>(40,336)</b>	<b>(2,380)</b>
Shares issued (Note 13)	16,616,583	(3,283,250)	4,870	-	4,870	(417)	-	4,453
Shares issued from Reserve shares (Note 13)	989,139	-	593	(593)	-	-	-	-
Shares issued from deferred share units	284,031	-	152	-	152	(152)	-	-
Warrants issued (Note 13)	-	10,775,196	-	-	-	1,368	-	1,368
Warrants expired (Note 13)	-	(4,720,626)	1,182	-	1,182	(1,182)	-	(0)
Issuance costs	-	-	(71)	-	(71)	31	-	(40)
Grant of deferred share units (Note 13)	-	-	-	-	-	64	-	64
Stock-based compensation expense	-	-	-	-	-	436	-	436
Net loss for the period	-	-	-	-	-	-	(2,534)	(2,534)
<b>Balance - September 30, 2021</b>	<b>47,416,351</b>	<b>14,282,450</b>	<b>\$ 33,814</b>	<b>\$ 2,228</b>	<b>\$ 36,042</b>	<b>\$ 8,194</b>	<b>(42,870)</b>	<b>\$ 1,366</b>

# Pond Technologies Holdings Inc.

## Interim Condensed Consolidated Statement of Cash Flows

(Canadian dollars in thousands)

(Unaudited)

For the nine months ended September 30,	Note	2021	2020
<b>Operating Activities</b>			
Cash receipts from customers		\$ 4,454	\$ 3,489
Contract receivables, net	14	-	(42)
Cash paid to suppliers and employees		(5,957)	(4,734)
Interest paid		(818)	(245)
Interest received		-	1
Cash used in operating activities - continuing operations		(2,321)	(1,531)
Cash used in operating activities - discontinued operations		-	41
<b>Cash used in operating activities - continued and discontinued operations</b>		<b>(2,321)</b>	<b>(1,490)</b>
<b>Investing Activities</b>			
Patent costs incurred	6	(112)	(75)
Purchase of capital assets	8	(14)	(8)
Cash used in investing activities - continuing operations		(126)	(83)
Cash used in investing activities - discontinued operations		-	-
<b>Cash used in investing activities - continued and discontinued operations</b>		<b>(126)</b>	<b>(83)</b>
<b>Financing Activities</b>			
Proceeds from issuance of units, net of issuance costs	13	5,203	876
Repayment of lease liabilities	12	(56)	(40)
Repayments of loans payable	10	(697)	(75)
Cash used in financing activities - continuing operations		4,450	761
Cash used in financing activities - discontinued operations		-	-
<b>Cash provided by financing activities - continued and discontinued operation:</b>		<b>4,450</b>	<b>761</b>
<b>Net change in cash</b>		<b>2,003</b>	<b>(812)</b>
<b>Cash beginning of period</b>		<b>156</b>	<b>1,035</b>
<b>Cash, end of period</b>		<b>\$ 2,159</b>	<b>\$ 223</b>

See accompanying notes to the consolidated financial statements.

# Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

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## 1. REPORTING ENTITY AND GOING CONCERN

Pond Technologies Holdings Inc. (the “Company” or “Pond”) is incorporated under the Business Corporations Act of Alberta. The Company’s shares trade on the TSX Venture Exchange (“TSXV”) under the trading symbol “POND”, OTC Markets under the symbol “PNDHF” and on the FSE under the symbol “400”. The Company’s principal place of business is located at Unit 8, 250 Shields Court, Markham, Ontario.

The Company’s primary business is to pursue microalgal biomass cultivation using available sources of carbon dioxide (“CO<sub>2</sub>”), including CO<sub>2</sub> rich emission sources from industrial plants and the licensing of its technology. The resultant algae can be used in the production of nutraceuticals, commonly known as superfoods, growth of unique algae strains for the expression of complex proteins used in diagnostics and therapeutic treatments, aquaculture, animal feeds, and as feedstock in the production of bio foams and algae-based biomaterials. The Company has formed a nutraceutical business segment and is actively pursuing opportunities in the nutraceutical and superfood marketplace.

These unaudited interim condensed consolidated financial statements have been prepared by management using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business for the foreseeable future.

The Company is in the commercialization stage, has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations.

For the three and nine months ended September 30, 2021, the Company recorded a net loss from continuing operations of \$795 (2020 – \$652) and \$2,773 (2020 - \$2,327). The Company recorded a gain on disposal of discontinued operations of \$239 (2020 – \$2,523 loss) for the nine months ended September 30, 2021. The Company’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds and realization of profitable operations. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing so. These circumstances in addition to the uncertainties presented by the COVID-19 pandemic lend significant doubt and material uncertainty as to the ability of the Company to meet its obligations as they come due and, accordingly, the ability to continue as a going concern.

These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## BASIS OF PREPARATION

### Statement of Compliance

The Company applies IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of November 16, 2021, the date the Board of Directors approved the financial statements. The same accounting policies and methods of computation are followed in these unaudited interim condensed financial statements as compared with the most recent audited consolidated annual financial statements of Pond Technologies Holdings Inc. as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the quarter ending September 30, 2021 could result in restatement of these unaudited interim condensed consolidated financial statements.

# Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

## 1. REPORTING ENTITY AND GOING CONCERN (Continued)

### Significant Accounting Policies (Continued)

The significant accounting policies used in preparing these unaudited interim condensed consolidated financial statements are unchanged from those disclosed in Note 3 of the Company's 2020 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

### Critical Accounting Estimates and Judgments

For the nine months ended September 30, 2021, the coronavirus ("COVID-19") had an impact on the global economy, including the Company's nutraceutical and technology services lines of business. The Corporation has taken into account the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgments in the preparation of these condensed interim consolidated financial statements. Actual results may differ from estimated amounts, and those differences may be material.

### Recent Accounting Pronouncements

In February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The IASB also issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

## 2. DISCONTINUED OPERATIONS

### Oil and natural gas property

Effective June 1, 2021 the Company and Grizzly Resources Limited ("GRL") entered into a transaction to sell all of the Company's petroleum and natural gas assets in the Pembina Area, Alberta. GRL will assume all abandonment and reclamation liabilities related to the assets and pay up to \$2.25 million in future conditional consideration to Pond based upon the sale of the assets and/or upon the resumption of production. The Company recognized a gain on disposition of \$239, which was recorded in the consolidated statements of loss and comprehensive loss. Operating results and cash flow of the Company's oil and natural gas property for the period up to the date of sale in June 2021 were classified as discontinued operations in these consolidated statements of loss and comprehensive loss and in these consolidated statements of cash flows, respectively.

Net assets and liabilities of discontinued operations:

	Sept 30, 2021	Dec 31, 2020
<i>Assets</i>		
Capital assets of discontinued operations	\$ -	\$ -
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>
<i>Liabilities</i>		
Liabilities of discontinued operations	\$ -	\$ 104
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 104</b>

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 2. DISCONTINUED OPERATIONS (Continued)

#### Oil and natural gas property (Continued)

Net loss and comprehensive loss from discontinued operations:

	Three months ended		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
<b>Revenue</b>				
Revenue	\$ -	\$ -	\$ -	425
				425
<b>Direct costs and expenses</b>				
Oil and conventional natural gas royalties	-	-	-	(178)
Oil and conventional natural gas operating costs	-	(9)	-	(276)
<b>Expenses</b>				
Recovery of Environmental Cost	-	-	-	-
Amortization & depletion	-	(16)	-	(169)
Impairment of capital asset	-	(2,325)	-	(2,325)
Gain on disposition	-	-	239	-
<b>Net loss from discontinued operations</b>	\$ -	\$ (2,350)	\$ 239	\$ (2,524)

Net cashflows from discontinued operations:

	Sept 30, 2021	Dec 31, 2020
<b>Operating activities</b>		
Operating cash flows provided by discontinued operations	\$ -	\$ 41
<b>Investing activities</b>		
Investing cash flows provided by discontinued operations	\$ -	\$ -
<b>Financing activities</b>		
Financing cash flows provided by discontinued operations	\$ -	\$ -

### 3. BUSINESS COMBINATION TRANSACTIONS

On January 30, 2019 the Company acquired Regenurex Health Corporation (“Regenurex”) by way of an amalgamation with its wholly owned subsidiary Pond Naturals Inc., with the resulting entity continuing under the name of Pond Naturals Inc. As consideration for their Regenurex shares, Regenurex shareholders are entitled to receive up to 6,250,000 shares of the Company.

The fair value of the share purchase consideration was determined using the following key assumption and inputs:

Method for determining fair value: - Company's share price less option value adjustment of 20% for lack of marketability.

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 3. BUSINESS COMBINATION TRANSACTIONS (Continued)

#### *Acquisition of Regenurex Health Corporation (Continued)*

Share Price – Company's 5-day trailing stock price January 30, 2019

Option value model marketability discount 20% key assumptions:

Period of lack of marketability: - 1 year

Risk free rate: - 1.83%

Dividend yield – 0%

Volatility – 104.7%

The below summarizes the manner in which such Pond shares are to be issued:

Upon amalgamation, former holders of the Class A preferred shares of Regenurex received 3,539,198 non-voting senior preferred shares of Pond Naturals Inc. The senior preferred shares are exchangeable into common shares at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 2,211,998 Pond shares. Upon amalgamation, former holders of the common shares of Regenurex received 18,219,200 non-voting junior preferred shares of Pond Naturals Inc. The junior preferred shares are exchangeable into common shares at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 4,038,002 Pond shares.

In connection with closing of the Regenurex transaction, all of the outstanding stock options and warrants of Regenurex were cancelled or exchanged for Regenurex common shares (and then subsequently exchanged for junior preferred shares of Pond Naturals Inc. pursuant to the amalgamation).

The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed based on estimates of fair value:

Fair value of the 6,250,000 shares of the Company on January 30, 2019	<b>\$ 3,750</b>
Cash and cash equivalents	\$ 61
Receivables	109
Inventory	143
Right-of-use asset	122
Property plant and equipment	1,030
Accounts payable and accrued liabilities	(475)
Lease liability	(122)
Loans payable	(531)
Deferred Tax Asset	822
Goodwill	2,590
	<b>\$ 3,750</b>

If the transaction had taken place on January 1, 2019, it is estimated that the assets acquired would have contributed incremental revenues and net loss before taxes of \$220 and \$550 respectively, for the year ended December 31, 2019.

Goodwill arose on the acquisition of Regenurex as the cost of the consideration paid for the combination effectively included amounts for the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

There were \$9 in transaction related costs included in administrative expenses in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019.

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 4. RECEIVABLES

Receivables include customers and government balances. Accounts receivable from customers arise from transactions in the ordinary course of business. The government receivables arise from HST and GST recoveries. The past due amounts related to customer receivables total \$321 (2020: \$102).

	Sept 30, 2021	Dec 31, 2020
Customer accounts	\$ 1,115	\$ 871
Government receivables	94	41
	\$ 1,209	\$ 912

	Sept 30, 2021	Dec 31, 2020
Current	\$ 674	\$ 34
Past due but not impaired trade receivables, net		
Under 30 days	214	776
30 - 60 days	20	11
60-90 days	138	4
over 90 days	163	87
Total receivables	\$ 1,209	\$ 912

The inventory balances arising from the nutraceutical business are as follows:

	Sept 30, 2021	Dec 31, 2020
Raw materials	\$ 25	\$ 53
Work-in-process	78	71
Finished goods	112	55
	\$ 215	\$ 179

The cost of nutraceutical inventories recognized as an expense during the three and nine months ended September 30, 2021 in respect of continuing operations was \$980 (2020 - \$1,004) and \$2,721 (2020 - \$2,460). During the nine months ended September 30, 2021 the Company recorded \$Nil write-downs of inventory (2020: \$Nil).

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 6. INTANGIBLES

Costs	Patent Filing Costs and		Total
	Acquired Intellectual Property	Distribution Rights	
Balance, January 1, 2020	\$ 2,867	\$ 640	\$ 3,507
Additions	75	-	75
Balance, September 30, 2020	2,942	640	3,582
Additions	6	-	6
Disposals	(153)	-	(153)
<b>Balance, December 31, 2020</b>	<b>2,795</b>	<b>640</b>	<b>3,435</b>
Additions	15	-	15
Disposals	-	-	-
<b>Balance, September 30, 2021</b>	<b>2,810</b>	<b>640</b>	<b>3,450</b>
<i>Accumulated amortization</i>			
Balance, January 1, 2020	1,166	69	1,235
Additions	109	49	158
Balance, September 30, 2020	1,275	118	1,393
Additions	36	96	132
Disposals	(32)	-	(32)
<b>Balance, December 31, 2020</b>	<b>1,279</b>	<b>214</b>	<b>1,493</b>
Additions	106	109	215
Disposals	-	-	-
<b>Balance, September 30, 2021</b>	<b>1,385</b>	<b>323</b>	<b>1,708</b>
<i>Net carrying amount</i>			
Balance, January 1, 2020	1,701	571	2,272
Balance, September 30, 2020	1,667	522	2,189
Balance, December 31, 2020	1,516	426	1,942
<b>Balance, September 30, 2021</b>	<b>\$ 1,425</b>	<b>\$ 317</b>	<b>\$ 1,742</b>

### 7. GOODWILL

On January 30, 2019 the Company acquired Regenurex Health Corporation (Note 3). Goodwill of \$2,590 was determined based upon the allocation of the fair value of the consideration paid and fair value of assets and liabilities assumed.

Goodwill, December 31, 2019	\$ 100
<i>Impairment</i>	
Impairment charge	(100)
Goodwill, December 31, 2020 and September 30, 2021	\$ -

The Company has allocated the Goodwill to its Regenurex CGU. The Company performs its annual impairment test as at December 31. The recoverable amount of the Regenurex CGU has been determined by a value-in-use calculation, using a discounted cash flow model, based on a 5 year projection period, together with a terminal value. Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The cash flow projections during a forecast period were based on expected gross margins and raw materials price inflation throughout the forecast period. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate which is the projected long-term average growth rate.

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 7. GOODWILL (Continued)

The recoverable amount used a pre-tax discount rate of 26.7% per annum. During the year ended December 31, 2020, the Company concluded the recoverable amount of the CGU is less than the carrying value, resulting in a goodwill impairment charge amounting to \$100 (2019: \$2,490) based on the impairment analysis performed.

### 8. CAPITAL ASSETS

	Project equipment plant machinery and leasehold	Furniture fixtures and	Computer hardware and	Oil & natural gas property plant	Total
<i>Cost</i>					
Balance, January 1, 2020	\$ 2,801	\$ 126	\$ 115	\$ 4,137	\$ 7,179
Additions	-	-	-	-	-
Disposals	(8)	-	-	-	(8)
Change in decommissioning liability	-	-	-	-	-
Balance, September 30, 2020	2,793	126	115	4,137	7,171
Additions	31	-	-	-	31
Disposals	-	-	-	-	-
Change in decommissioning liability	-	-	-	5	5
Balance, December 31, 2020	2,824	126	115	4,142	7,206
Additions	9	2	1	-	12
Disposals	(9)	-	-	-	(9)
Change in decommissioning liability	-	-	-	-	-
<b>Balance, September 30 2021</b>	<b>2,824</b>	<b>128</b>	<b>116</b>	<b>4,142</b>	<b>7,209</b>
<i>Accumulated amortization</i>					
Balance, January 1, 2020	1,421	71	87	1,712	3,292
Amortization and depletion	191	5	7	100	303
Impairment	-	-	-	2,325	2,325
Disposals	(6)	-	-	-	(6)
Balance, September 30, 2020	1,606	76	94	4,137	5,914
Amortization and depletion	17	3	1	-	21
Disposals	-	-	-	-	-
Transferred to discontinued operations	-	-	-	5	5
Balance, December 31, 2020	1,623	79	95	4,142	5,940
Amortization and depletion	78	4	7	-	89
Disposals	-	-	-	-	-
<b>Balance, September 30 2021</b>	<b>1,701</b>	<b>83</b>	<b>102</b>	<b>4,142</b>	<b>6,029</b>
<i>Net carrying amount</i>					
Balance, January 1, 2020	1,380	55	28	2,425	3,887
Balance, September 30, 2020	1,187	50	21	-	1,257
Balance, December 31, 2020	1,202	47	26	-	1,266
<b>Balance, September 30, 2021</b>	<b>\$ 1,123</b>	<b>\$ 45</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ 1,180</b>

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sept 30, 2021	Dec 31, 2020
Accounts payable	\$ 1,343	\$ 1,997
Interest payable	78	567
Payroll and other accruals	213	466
	<b>\$ 1,634</b>	<b>\$ 3,030</b>

Accounts payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of accounts and other payables are considered to be the same as their fair values, due to their short-term nature.

### 10. LOANS PAYABLE

#### Loans

A summary of the changes in the loans payable balance is as follows:

	CW(i)	FedDev (ii)	CEBA (iii)	Total
Balance, January 1, 2020	\$ 2,843	202	62	3,107
Loan advance at fair value	-	-	40	40
Accretion	-	12	-	12
Loan modification gain	-	(24)	-	(24)
Repayments	-	(73)	(44)	(117)
Balance, December 31, 2020	2,843	117	58	3,018
Loan advance at fair value	-	-	-	-
Accretion	-	8	-	8
Loan modification gain	(142)	-	-	(142)
Repayments	(561)	(90)	(18)	(669)
<b>Balance, September 30, 2021</b>	<b>2,140</b>	<b>35</b>	<b>40</b>	<b>2,215</b>
<b>Less: Current portion of loans payable</b>	<b>297</b>	<b>35</b>	<b>-</b>	<b>332</b>
<b>Long-term portion of loans payable</b>	<b>\$ 1,843</b>	<b>\$ -</b>	<b>\$ 40</b>	<b>\$ 1,883</b>

#### (i) Crystal Wealth Management System Ltd. ("CW" or "Crystal Wealth")

The loan initially bore interest at 12% per annum and is secured by a general security agreement with a first charge on the Company's assets and a specific assignment of rights in all patents.

On August 11, 2017, the loan was amended to, among other things, reduce the interest rate to 8% per annum, extend the maturity date to June 30, 2019, and include a deferral of quarterly interest payable of 4%.

The Company paid \$1,000 on January 30, 2018, and \$600 on June 28, 2019 to CW to reduce the principal balance from \$4,500 to \$2,900.

On March 24, 2021 the Corporation entered into an amending agreement with Crystal Wealth providing for an extension of the term of the loan to June 30, 2023, with Pond agreeing to make a payment of \$900 by March 31, 2021 towards interest and principal, monthly principal payments of \$50 beginning July 31, 2021, and continued quarterly interest payments of 8% and 4% deferred interest. All previous principal repayment requirements including

## Pond Technologies Holdings Inc.

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### 10. LOANS PAYABLE (Continued)

20% any financings and proceeds from the sale of its Pembina oil and gas property were deleted in their entirety. All other terms of the loan remain in effect.

#### (ii) Federal Economic Development Agency ("FedDev")

The Company has a loan agreement with the FedDev and has received advances disbursed at a monthly rate of 33.33% of eligible costs as defined in the agreement, subject to achievement of certain milestones. Under the terms of the loan agreement, the loan bears no interest and is repayable in 60 equal monthly installments of \$14 beginning on January 1, 2015.

The FedDev loan was fair valued at inception and interest accretion for the imputed interest rate is treated as a finance expense each year.

On June 8, 2020, the FedDev loan was modified and the monthly principal repayments were extended to December 1, 2021 with \$nil principal monthly repayments from March 2020 to August 2020 and increased to \$10 per month thereafter for the remaining term of the loan. The loan remained interest free and the modification resulted in a gain of \$24.

#### (iii) Canada Emergency Business Account program ("CEBA")

On April 20, 2020 the Company entered into a \$40 non-revolving loan agreement with TD Canada Trust under the Canada Emergency Business Account program ("CEBA"). The CEBA loan has a nil interest rate for the initial term of the loan which ends on December 31, 2022 and a 5% interest rate, payable monthly during the extended term which ends on December 31, 2025. The CEBA loan can be repaid at any time and, if 75% of the loan is repaid before December 31, 2022, the remaining balance will be forgiven.

### 11. CONVERTIBLE DEBENTURE

On November 21, 2019, the Company issued a secured convertible debenture to Georgian Villas Inc. ("GV"), an entity controlled by one of Pond's directors, Mr. Robert McLeese (Note 17) with respect to a \$2,000 loan provided by GV. The debenture matures on November 15, 2021, bears interest at 12% per annum, payable quarterly. The debenture is convertible, at the option of the lender, into common shares of Pond after the first anniversary date of the Loan at a conversion price of \$1.00 per share, and is secured by a first priority interest over all of the Company's present and after-acquired property and assets, excluding any equity interests from time to time held in Paige. As consideration for agreeing to provide the loan, GV also received a cash fee equal to 4% (\$80) of the principal amount of the loan.

On the issue of the convertible note the fair value of the liability component was determined to be \$1,664 using a 36% market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortized cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognized as a finance cost as interest accretion.

Convertible Debenture - December 31, 2019	1,615
Interest accretion	133
Repayment	(11)
Convertible Debenture - Sept 30, 2020	1,737
Interest accretion	50
Repayment	-
Convertible Debenture - December 31, 2020	\$ 1,787
Interest accretion	168
Repayment	-
<b>Convertible Debenture - September 30, 2021</b>	<b>\$ 1,955</b>

## Pond Technologies Holdings Inc.

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### 11. CONVERTIBLE DEBENTURE (Continued)

The difference between the fair value of the debt portion and principal amount of proceeds at date of issue of \$336 is determined to be the fair value of the conversion option that is recognized and included in shareholders' (deficiency)/equity as a convertible note reserve, net of transaction costs amounting to \$13.

### 12. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Company's leases are for office space. Certain of the leases contain renewal options. The Company has included renewal options on the measurement of lease obligations when it is reasonably certain that the Company will exercise the renewal option.

The following tables sets out the Company's lease liabilities:

Lease liabilities, January 1, 2020	\$	277
Interest on lease liabilities		24
Lease payments		(78)
Lease liabilities, September 30, 2020		223
Interest on lease liabilities		8
Lease modification adjustments		51
Lease payments		(28)
Lease liabilities, December 31, 2020		254
Interest on lease liabilities		21
Lease payments		(80)
<b>Lease liabilities, September 30, 2021</b>	<b>\$</b>	<b>195</b>

	Sept 30, 2021	Dec 31, 2020
Current	\$ 35	\$ 80
Non-current	160	174
<b>Lease liabilities</b>	<b>\$ 195</b>	<b>\$ 254</b>

Right-of-use asset, January 1, 2020	\$	264
Amortization		(63)
Right-of-use asset, September 30, 2020		201
Additions		51
Amortization		(15)
Right-of-use asset, December 31, 2020		237
Amortization		(87)
<b>Right-of-use asset, September 30, 2021</b>	<b>\$</b>	<b>150</b>

Amounts recognized in statement of loss and comprehensive loss:

	Sept 30, 2021	Sept 30, 2020
Amortization for right-of-use asset	\$ 87	\$ 63
Interest expense on lease liabilities	21	23
	<b>\$ 108</b>	<b>\$ 86</b>

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### 13. SHARE CAPITAL

#### *Authorized*

The Company is authorized to issue an unlimited number of common shares.

	<b>Number of</b>		<b>Amount</b>
	<b>shares</b>		<b>(\$ 000's)</b>
Balance, as at January 1, 2020	22,675,469	\$	28,588
Shares issuance	5,218,089		826
Reserve for exchangeable shares	1,548,134		-
Shares issued from deferred share units	84,906		58
Issuance costs	-		(24)
Expired agent warrants	-		461
Balance, as at December 31, 2020	29,526,598		29,909
Share issuance	16,616,583		4,870
Reserve for exchangeable shares	989,139		-
Shares issued from deferred share units	284,031		152
Issuance costs	-		(71)
Expired warrants	-		1,182
<b>Balance, as at September 30, 2021</b>	<b>47,416,351</b>	<b>\$</b>	<b>36,042</b>

#### *Transactions in 2020*

##### *Settlement of Debt*

On March 2, 2020 the Company issued 167,783 common shares as payment to settle advisory fees incurred of \$79 (\$0.47 per share).

On June 17, 2020 the Company issued a total of 868,545 common shares as payment to settle \$137 of fees and expenses and \$57 interest incurred on its convertible debenture (\$0.22 per share average).

On October 8, 2020 the Company issued a total of 181,761 common shares as payment to settle \$60 of interest incurred on its convertible debenture (\$0.33 per share average).

##### *Non-Brokered private placement*

On June 25, 2020, the Company issued a total of 4,000,000 units at \$0.25/unit for \$1,000. Each unit was comprised of one common share and one warrant. Each warrant may be exercised for one additional common share at a price of \$0.25 per common share on the earlier of 30 days after the holder of the warrant receives notice from the Company that the Company's shares had traded at a price of \$1.00 per share for at least 20 consecutive days on the TSXV or 2 years from date of issuance.

#### *Transactions in 2021*

##### *Non-Brokered private placement*

On March 5, 2021, the Company issued a total of 10,000,000 units at \$0.35/unit for \$3,500. Each unit was comprised of one common share and one warrant. Each warrant may be exercised for one additional common share at a price of \$0.45 per common share on the earlier of 30 days after the holder of the warrant receives

## Pond Technologies Holdings Inc.

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### 13. SHARE CAPITAL (Continued)

#### *Transactions in 2021* (Continued)

##### *Non-Brokered private placement* (Continued)

notice from the Company that the Company's shares had traded at a price of \$1.35 per share for at least 20 consecutive days on the TSXV or 2 years from date of issuance.

On August 17, 2021, the Company issued a total of 3,333,333 units at \$0.45/unit for \$1,500. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant may be exercised for one additional common share at a price of \$0.60 on the earlier of 30 days after the holder of the warrant receives notice from the Company that the Company's shares had traded at a price of \$1.35 per share for at least 20 consecutive days on the TSXV or two years from date of issuance.

##### *Acquisition of Regenurex Health Corporation*

On March 25, 2021, the Company issued a total of 84,496 common shares of Pond from the conversion of 99,246 junior preferred Pond Naturals shares and 100,000 senior preferred Pond naturals shares,

On August 4, 2021, the Company issued a total of 902,428 common shares of Pond from the conversion of 3,507,782 junior preferred Pond Naturals shares and 200,000 senior preferred Pond Naturals shares.

On August 5, 2021, the Company issued a total of 2,216 common shares of Pond from the conversion of 10,000 junior preferred Pond Naturals shares.

##### *Stock option plan*

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance.

<b>Stock Options</b>	<b>Number of options outstanding</b>	<b>Weighted average exercise price</b>
Balance, as at December 31, 2019	1,592,500	\$ 2.00
Granted during period	870,000	0.25
Forfeited during period	(565,000)	2.00
Balance, as at September 30, 2020	1,897,500	1.20
Granted during period	450,000	0.26
Cancelled during the period	(450,000)	2.00
Forfeited during period	412,500	1.66
Balance, as at December 31, 2020	2,310,000	1.03
Granted during period	1,795,000	0.62
Cancelled during the period	(215,000)	0.44
Forfeited during period	(600,000)	2.00
<b>Balance, as at September 30, 2021</b>	<b>3,290,000</b>	<b>\$ 0.66</b>

During the nine months ended September 30, 2021 the Company granted 1,795,000 (2020: 872,000) stock options. The fair value was determined using the Black-Scholes option pricing model at the weighted average assumptions:

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### 13. SHARE CAPITAL (Continued)

#### Stock option plan (Continued)

	2021		2020	
Risk-free interest rate	0.49%		0.41%	
Estimated life of options (years)	3.00		5	
Expected volatility	107.00%		110.85%	
Price of shares at date of issuance	\$	0.62	\$	0.25
Exercise price of options	\$	0.62	\$	0.26
Dividend yield	0%		0%	

exercisable and the weighted average remaining contractual lives of the stock options was 3.13 years (2020 – 2.6 years).

#### Contributed surplus

Contributed surplus is comprised of the following:

	Sept 30, 2021		Dec 31, 2020	
Stock options and other	\$	3,084	\$	2,741
Warrants and Agent Warrants		5,110		5,306
	\$	8,194	\$	8,047

#### Warrants

The Company has issued warrants and Agent Warrants as part of the brokered and non-brokered placements, conversion of loans and debt settlements.

	Number of			Amount (000's)
	Warrants	Agent Warrants	Total	
Balance, as at January 1, 2020	7,411,783	243,422	7,655,205	\$ 5,279
Warrants issued on subscription of units	4,000,000	-	4,000,000	506
Warrants issued for agent fees	-	48,000	48,000	6
Issuance costs	-	-	-	(18)
Expired Agent Warrants	-	(192,075)	(192,075)	(461)
Balance, as at September 30, 2020	11,411,783	99,347	11,511,130	\$ 5,312
Issuance costs	-	-	-	(6)
Balance, as at December 31 2020	11,411,783	99,347	11,511,130	5,306
Warrants issued on subscription of units	10,337,500	-	10,337,500	1,368
Warrants issued for agent fees	-	437,696	437,696	36
Warrants exercised	(3,235,250)	(48,000)	(3,283,250)	(417)
Warrants expired	(4,669,279)	(51,347)	(4,720,626)	(1,183)
<b>Balance, as at September 30, 2021</b>	<b>13,844,754</b>	<b>437,696</b>	<b>14,282,450</b>	<b>\$ 5,110</b>

## Pond Technologies Holdings Inc.

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### 13. SHARE CAPITAL (Continued)

#### Warrants (Continued)

As at September 30, 2021, 13,844,754 warrants and 437,696 Agent Warrants were outstanding (2020 – 11,411,783 warrants and 99,347 Agent Warrants), with an average exercise price of \$0.55 and \$0.45 (2020: \$1.51 and \$0.34), respectively and an average estimated life of 1.21 and 1.1 years (2020: 1.2 and 1.5 years).

On March 18, 2021 the Company issued 10,000,000 warrants and 437,696 agent warrants. For the warrants and agent warrants issued in the non-brokered private placement, the fair value has been determined as \$1,110 using the Black-Scholes option pricing model and the following assumptions.

On August 17, 2021 the Company issued 1,666,667 warrants. For the warrants issued in the non-brokered private placement, the fair value has been determined as \$258 using the Black-Scholes option pricing model and the following assumptions.

	February 18, 2021	August 17, 2021	June 25, 2020
Risk-free interest rate	22%	44%	30%
Estimated life of warrants and Agent Warrants (years)	2.00	2.00	2.00
Expected volatility	98%	101%	100%
Price of shares at date of issuance	\$ 0.24	\$ 0.37	\$ 0.25
Exercise price of warrants	\$ 0.45	\$ 0.60	\$ 0.25
Dividend yield	0%	0%	0%

#### Deferred share units

The directors of the Board may elect to receive a portion of their compensation in the form of a deferred share unit (“DSUs”) in any year, based on the terms and conditions of the Deferred Share Unit Plan which was established on October 11, 2018. A deferred share unit account (“DSU Account”) is established for each participant and is credited with notional grants of DSU’s to which each participant is entitled.

The number of DSU’s granted to a participant’s DSU Account is determined quarterly, based on the monetary amount of the participant’s annual fee compensation and the closing price of the Company’s common shares on the TSX Venture Exchange on the date of grant. At such time as a director ceases to be a director, the Company’s Nomination and Compensation Committee has chosen to settle the DSU Account in Company common shares from treasury.

As at September 30, 2021 there were 527,973 shares reserved for issuance on settlement of DSUs (December 31, 2020: 704,932) for which the Company recognized a \$64 charge to contributed surplus (2020: \$44). The 527,973 shares reserved for issuance on settlement of DSUs, which is less than the 1,500,000 amount permitted under Pond’s DSU Plan.

### 14. REVENUE, CONTRACT RECEIVABLE AND DEFERRED CONTRACT REVENUE

Revenue is comprised of sales and services to external customers (excluding HST and other sales taxes). Revenue from the transfer of goods or services to customers is recognized in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

The majority of the Company’s Nutraceutical Products revenue is generated from a purchase order contract in which nutraceutical goods, shipping and payment terms are specified. Revenue is recognized when the terms of the commitment are completed. Payment is normally thirty days from the date of invoice by the customer.

The majority of the Company’s technology services revenue was generated from a contract in which goods and services are typically provided over time. The Company’s technology services revenue was derived from several contractual obligations. Revenues from contracts are recognized on a percentage of completion basis. Deferred revenue is the difference between actual amounts invoiced and the amount of revenue recognized and is recorded in the consolidated statements of financial position.

## Pond Technologies Holdings Inc.

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### 14. REVENUE, CONTRACT RECEIVABLE AND DEFERRED CONTRACT REVENUE (Continued)

#### *Stelco Algae Holdings*

During September 2018 the Company entered into a 'Notice to Proceed' agreement with Stelco Algae Holdings Inc. ("Stelco"), a special purpose company owned by Stelco Holdings Inc. to develop an Algae Carbon Abatement Facility ("the Project") at Stelco's Lake Erie Works ("the Project Site"). The Project includes the following; i) the manufacture and installation of a 45,000 litre bioreactor system at the Project Site; and ii) subject to verification of Project viability and the receipt of applicable regulatory and third party approvals, the installation of a commercial seed system scale bioreactor at the Project Site.

Prior to the "Notice to Proceed" arrangement, in November 2017, Stelco, the Company and the Ontario Centres for Excellence Inc. ("OCE") entered into a Target GHG Industrial Demonstration Program Funding Agreement ("OCEFA") pursuant to which the OCE will fund up to 50% of eligible Project costs to a maximum of \$5 million. The OCEFA expired on December 31, 2020.

Eligible expenses which are to be reimbursed through OCEFA have been financed by the Company through a promissory note arrangement with Stelco. The promissory note is a non-interest bearing revolving loan facility with a maximum borrowing capacity of \$2.5 million and a maturity date of June 30, 2020. The promissory note bears interest at a rate of 15% per annum if cash reimbursements of eligible expenses received by Stelco are not repaid to the Company within 10 business days of receipt from OCE.

During the nine months ended September 30, 2021 the Company made \$Nil (2020:\$Nil) advances under the terms of the promissory note and received repayments of \$Nil (2020: \$Nil) resulting in a contract receivable balance of \$1,438 (2020: \$1,438) at September 30, 2021.

#### *Impairment charge*

Due to the uncertainty relating to possible future project financing relating to the Stelco project the Company has taken an impairment charge of \$Nil (2020: \$938) against the contract receivable balance owed by Stelco. The contract receivable is secured by property, plant and equipment to which the Company currently has access. The impairment charge was calculated using the estimated replacement cost of property, plant and equipment in 2019, when it was first determined that the contract receivable was impaired, less an amount representing the reduction in value of the underlying assets due to their continued use.

#### *Deferred Contract Revenue*

A reconciliation of the beginning and ending carrying amounts of deferred revenue is as follows:

	<b>Sept 30,</b>		Dec 31,
	<b>2021</b>		2020
Balance, beginning of period	\$ 386	\$	437
Related revenue earned in the period	<b>(910)</b>		(382)
Payments received in the period	<b>1,447</b>		331
	<b>\$ 923</b>	<b>\$</b>	<b>386</b>

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### 15. BREAK DOWN OF EXPENSES

The details for operating and general and administrative expenses, are as follows:

	Three Months Ended		Nine Months Ended	
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
<i>Operating expenses</i>				
Salaries and benefits	\$ 295	\$ 203	\$ 868	\$ 675
Travel and transportation	5	14	37	52
Project supplies and maintenance	31	82	183	341
	\$ 331	\$ 299	\$ 1,088	\$ 1,068
<i>General and administrative expenses</i>				
Accounting & Audit services	\$ 15	\$ -	\$ 105	\$ 5
Legal	143	33	283	116
Computer	22	17	69	44
Consulting and advisory services	241	139	341	327
Investor relations	296	22	475	99
Other general and administrative expenses	99	4	302	248
	\$ 816	\$ 215	\$ 1,575	\$ 839

### 16. FINANCIAL EXPENSES

	Three Months Ended		Nine Months Ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Interest expense on loans	\$ 72	\$ 96	\$ 230	\$ 272
Interest accretion, net of imputed interest adjustment	3	4	10	8
Loan modification amortization	-	-	(142)	-
Interest on debenture	90	60	179	178
Accretion on debenture	60	47	168	133
Interest on lease obligations	6	7	21	23
Interest benefit on initial fair value of loan	-	-	-	(19)
Interest benefit on loan modification	-	-	-	(21)
Bank and other expenses	7	6	17	19
	\$ 238	\$ 220	\$ 483	\$ 593

### 17. RELATED PARTY TRANSACTIONS

The Company enters into related party transactions with management and arrangements with its shareholders.

Details of these transactions and period end balances are as follows:

	Three months ended		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
<i>Transactions:</i>				
Loan interest to shareholders CW and GV	\$ 162	\$ 195	\$ 409	\$ 573
Pembina property management fee	-	9	-	27
<i>Balances</i>				
Loan payable to CW	2,140	2,843	2,140	2,843
Convertible Debenture to GV	\$ 1,955	\$ 1,737	\$ 1,955	\$ 1,737

## Pond Technologies Holdings Inc.

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### 17. RELATED PARTY TRANSACTIONS (Continued)

Key management include key effective management and Board of Directors. In addition to their salaries, key executive officers participate in short-term bonus plans based on the financial performance of the Company and other non-financial factors, set annually. The Company provides a benefit plan and other allowances to executive officers. In addition, key executive officers are granted stock options at the discretion of the Board of Directors.

Key management compensation is comprised of:

	Three months ended		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Stock based compensation	\$ 26	\$ -	\$ 113	\$ 51
Director and committee fees - cash and DSU	26	46	78	164
Salaries and benefits	96	96	288	288

### 18. SEGMENTED INFORMATION

The Company considered the basis on which it is organized including service and product offerings and geographic areas and segmented reporting is based on identifiable reporting segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and are evaluated regularly by the chief operating segment decision maker when allocating resources and assessing performance.

The chief operating decision maker is the CEO of the Company and the Company's operating segments and are based on its three primary offerings and one regional geographic area.

The three reportable segments for nine months ended September 30, 2021, are Nutraceutical Products (including production and sales to consumers and business and distribution or third-party products) Technology Services (including the production of microalgae biomass, consulting, engineering services and the construction of biomass production facilities) and the discontinued Oil and Natural Gas business. The Nutraceutical Products segment was a new segment in 2019 and arose through the acquisition of Regenurex (Note 3) and the acquisition of distribution rights (Note 6).

#### Reportable Segments

For the period ended September 30, 2021

Consolidated Statements of Financial Position As at September 30, 2021	Nutraceutical		Technology		Discontinued Operation	Other	Total
	Products	Services	Operation	Other			
<b>Non-Current Assets</b>							
Intangibles	\$ 1,425	\$ 317	\$ -	\$ -	\$ -	\$ -	\$ 1,742
Goodwill	-	-	-	-	-	-	-
Capital assets	806	374	-	-	-	-	1,180
Deferred income taxes	822	-	-	-	-	-	822
Contract receivable	-	506	-	-	-	-	506
Right-of-use asset	\$ 121	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ 150

## Pond Technologies Holdings Inc.

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### 18. SEGMENTED INFORMATION (Continued)

#### Reportable Segments (Continued)

#### For the period ended September 30, 2021 (Continued)

Consolidated Statement of Loss & Comprehensive Loss	For The Three Months Ended September 30, 2021					Total
	Nutraceutical Products	Technology Services	Discontinued Operation	Other		
Revenue:						
Nutraceutical products	\$ 1,231	\$ -	\$ -	\$ -		1,231
Technology services	-	932	-	-		932
	1,231	932	-	-		2,163
Direct costs and expenses:						
Nutraceutical products	(980)	-	-	-		(980)
Technology services	-	(280)	-	-		(280)
Operating Expenses	(144)	(172)	-	(15)		(331)
General and administrative expenses	(82)	(314)	-	(420)		(816)
Amortization & depletion	(57)	(80)	-	(36)		(173)
Stock-based compensation	-	-	-	(140)		(140)
Operating loss	(32)	86	-	(611)		(557)
Other income / (expense):						
Interest income	-	-	-	-		-
Finance expenses	(6)	(81)	-	(151)		(238)
Net loss from continuing operations	(38)	5	-	(762)		(795)
Net gain(loss) from discontinued operations	-	-	-	-		-
<b>Net loss and comprehensive loss</b>	<b>\$ (38)</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ (762)</b>	<b>\$</b>	<b>(795)</b>

Consolidated Statement of Loss & Comprehensive Loss	For The Nine Months Ended September 30, 2021					Total
	Nutraceutical Products	Technology Services	Discontinued Operation	Other		
Revenue:						
Nutraceutical products	\$ 3,400	\$ -	\$ -	\$ -		3,400
Technology services	-	964	-	-		964
	3,400	964	-	-		4,364
Direct costs and expenses:						
Nutraceutical products	(2,721)	-	-	-		(2,721)
Technology services	-	(318)	-	-		(318)
Operating Expenses	(520)	(568)	-	-		(1,088)
General and administrative expenses	(234)	(647)	-	(694)		(1,575)
Amortization & depletion	(111)	(233)	-	(109)		(453)
Stock-based compensation	-	-	-	(500)		(500)
Operating loss	(186)	(802)	-	(1,303)		(2,291)
Other income / (expense):						
Interest income	-	1	-	-		1
Finance expenses	(18)	(118)	-	(347)		(483)
Net loss from continuing operations	(204)	(919)	-	(1,650)		(2,773)
Net gain(loss) from discontinued operations	-	-	239	-		239
<b>Net loss and comprehensive loss</b>	<b>\$ (204)</b>	<b>\$ (919)</b>	<b>\$ 239</b>	<b>\$ (1,650)</b>	<b>\$</b>	<b>(2,534)</b>

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 18. SEGMENTED INFORMATION (Continued)

#### Reportable Segments (Continued)

For the period ended September 30, 2021 (Continued)

Major Customer Revenue (Three Months Ended Sept 30, 2021)	Nutraceutical Products	Technology Services
Largest customer	\$ 567	\$ 856
Second largest customer	\$ 225	\$ 38

For the period ended September 30, 2020

#### Consolidated Statements of Financial Position As at September 30, 2020

	Nutraceutical Products	Technology Services	Discontinued Operation	Other	Total
<b>Non-Current Assets</b>					
Intangibles	\$ 522	\$ 1,667	\$ -	\$ -	\$ 2,189
Goodwill	100	-	-	-	100
Capital assets	855	401	-	-	1,256
Deferred income taxes	822	-	-	-	822
Contract receivable	-	746	-	-	746
Right-of-use asset	159	42	-	-	201
Asset transferred to discontinued operations	\$ -	\$ -	\$ -	\$ -	-

	For The Three Months Ended September 30, 2020				
Consolidated Statement of Loss & Comprehensive Loss	Nutraceutical Products	Technology Services	Discontinued Operation	Other	Total
Revenue:					
Nutraceutical products	\$ 1,183	\$ -	\$ -	\$ -	\$ 1,183
Technology services	-	92	-	-	92
	1,183	92	-	-	1,275
Direct costs and expenses:					
Nutraceutical products	(1,004)	-	-	-	(1,004)
Technology services	-	(95)	-	-	(95)
Operating expenses	(109)	(190)	-	-	(299)
General and administrative expenses	(11)	(156)	-	(49)	(216)
Amortization & depletion	(45)	(52)	-	-	(97)
Stock-based compensation	-	-	-	(12)	(12)
Operating loss	15	(401)	-	(61)	(448)
Other income / (expense):					
Interest income	-	-	-	-	-
Finance expenses	(6)	(101)	-	-	(107)
Net loss from continuing operations	9	(502)	-	(61)	(555)
Net loss from discontinued operations	-	-	(2,449)	-	(2,449)
<b>Net loss and comprehensive loss</b>	<b>\$ 9</b>	<b>\$ (502)</b>	<b>\$ (2,449)</b>	<b>\$ (61)</b>	<b>\$ (3,004)</b>

## Pond Technologies Holdings Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

### 18. SEGMENTED INFORMATION (Continued)

#### Reportable Segments (Continued)

For the period ended September 30, 2020 (Continued)

Consolidated Statement of Loss & Comprehensive Loss	For The Nine Months Ended September 30, 2020				
	Nutraceutical Products	Technology Services	Discontinued Operation	Other	Total
Revenue:					
Nutraceutical products	\$ 3,077	\$ -	\$ -	\$ -	\$ 3,077
Technology services	-	290	-	-	290
	3,077	290	-	-	3,367
Direct costs and expenses:					
Nutraceutical products	(2,460)	-	-	-	(2,460)
Technology services	-	(258)	-	-	(258)
Operating expenses	(395)	(674)	-	-	(1,069)
General and administrative expenses	(159)	(473)	-	(207)	(839)
Amortization & depletion	(89)	(153)	-	(48)	(290)
Stock-based compensation	-	-	-	(234)	(234)
Operating loss	(25)	(1,268)	-	(489)	(1,783)
Other income / (expense):					
Interest income	-	-	-	(1)	(1)
Finance expenses	(4)	(268)	-	-	(272)
Net loss from continuing operations	(29)	(1,536)	-	(490)	(2,056)
Net loss from discontinued operations	-	-	(2,794)	-	(2,794)
<b>Net loss and comprehensive loss</b>	<b>\$ (29)</b>	<b>\$ (1,536)</b>	<b>\$ (2,794)</b>	<b>\$ (490)</b>	<b>\$ (4,850)</b>

Major Customer Revenue (Three Months Ended Sept 30, 2020)	Nutraceutical Products	Technology Services
Largest customer	\$ 565	\$ 38
Second largest customer	\$ 246	\$ 24

### 19. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable with respect to litigation, claims and environmental matters that may arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Company. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

On June 1, 2021 the Company and GRL entered into a transaction to sell all of the Company's petroleum and natural gas assets in the Pembina Area, Alberta. GRL will assume all abandonment and reclamation liabilities related to the Assets and pay up to \$2.25 million in future conditional consideration to Pond upon the sale of the assets and/or upon the resumption of production.

## **Pond Technologies Holdings Inc.**

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Canadian dollars in thousands, except per share and weighted average figures)

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### **20. SUBSEQUENT EVENTS**

On November 8, 2021, the Company issued 75,000 common shares in Capital of Pond to ExCap Advisors Inc. as partial consideration for its strategic advisory services in assisting the Company to secure the agreement between the Company and Livalta.

On November 15, 2021, the Company issued an amended and restated convertible debenture promissory note in the principal amount of CAD\$1,988,500 (the "Promissory Note") to Georgian Villas Inc. (the "Lender"), an entity controlled by the Chairman of the Company, Mr. Robert McLeese. The Promissory Note replaces and supersedes the original convertible debenture promissory note in the principal amount of CAD\$2,000,000 issued by Pond to the Lender on November 15, 2019. The new Promissory Note has the following material attributes:

- Reduction of interest rate from 12% to 9.55% per annum, payable quarterly, with the first interest payment due on February 15, 2022.
- Promissory Note maturing on November 15, 2024.
- Convertible by the Lender, into common shares in the capital of Pond at a conversion price equal to greater of (i) \$0.39 per common share and (ii) the average closing price of a common share for the 30 trading days on the TSX Venture Exchange ("TSXV") immediately preceding November 15, 2021; and
- Secured by a security interest over all present and after-acquired undertaking, property and assets of Pond (excluding its equity interest in its subsidiary, Paige Growth Technologies Inc.) pursuant to an amended and restated security agreement granted by Pond in favour of the Lender.

On November 15, 2021, the Company granted an aggregate of 1,275,000, stock options ("the Options") to eligible executives, employees and consultants under the Company's existing stock option plan. Each option is exercisable for one common share of the Company at an exercise price of \$0.40 per share. The closing price of the common shares of the Company on the TSX Venture Exchange on November 12, 2021, was \$0.40. The Options have a term of 5 years and vest as to one-third on the date of grant, one-third on the first anniversary of the date of grant, and the balance on the second anniversary of the date of grant.