BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

July 5, 2021 - The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for EverGen Infrastructure Corp. ("EverGen" or "the Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the period from commencement of operations and incorporation on May 13, 2020 to December 31, 2020, and should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the period ended December 31, 2020.

In addition, this MD&A includes a review and analysis of the operations of Net Zero Waste Abbotsford Inc. ("NZWA") and Sea to Sky Soils and Composting Inc. ("SSS") for the years ended December 31, 2020 and 2019 as all the issued and outstanding shares of NZWA and SSS were purchased on December 31, 2020.

The consolidated financial statements of EverGen and the stand-alone statements of NZWA and SSS have been prepared in thousands of Canadian dollars, in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board ("IASB"), using the accounting policies described therein. Tabular amounts are in thousands of dollars, except where indicated otherwise. This MD&A and the audited annual consolidated financial statements of EverGen have been prepared by management and approved by the board of directors as of July 5, 2021. The stand-alone financial statements of NZWA and SSS were approved by their respective board of directors as of July 5, 2021. EverGen manages its business on the basis of one operating and reportable segment.

EverGen, headquartered in Vancouver, British Columbia is a sustainable infrastructure platform established to acquire, develop, build, own and operate a portfolio of renewable natural gas ("RNG"), waste to energy, and related infrastructure projects in British Columbia and other regions of North America.

READER ADVISORIES

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

COMPANY OVERVIEW AND STRATEGY

EverGen is a sustainable infrastructure platform and currently owns and operates organic waste processing facilities which also provide organic feedstock for the planned development of RNG infrastructure projects. The Company operates two such organic waste conversion facilities in British Columbia, which primarily process inbound organics, yard waste and biosolids for a contracted tipping fee and produces high-quality organic compost and soils for farmers, gardeners and developers as part of its outbound business. The majority of the revenue currently earned by EverGen is sourced under long-term contracts with local municipalities. From this existing and profitable platform, EverGen plans to initiate the development of RNG facilities and to eventually sell RNG production to Fortis BC.

This MD&A includes the consolidated results of EverGen and separately the stand-alone results of NZWA and SSS where indicated.

All amounts in Canadian $000s, unless otherwise indicated

FINANCIAL AND OPERATIONAL HIGHLIGHTS

On December 31, 2020, EverGen acquired all the issued and outstanding common shares of NZWA and SSS. The below table includes the financial highlights for EverGen from the date of incorporation.

For the period May 13, 2020 to December 31, 2020	
Revenue	-
Net income (loss)	(2,233)
Net income (loss) per share ($), basic and diluted	$(17.05)
Total assets	50,510
Total long-term liabilities	8,780

EverGen was incorporated on May 13, 2020 for the purposes of contributing to the circular economy through waste recycling and in the development of RNG through sourcing, operating and developing sustainable infrastructure and fulfilling our environmental, societal and governance ("ESG") values. Circular systems deploy recycling to minimize use of new resource inputs and reduce waste, pollution and carbon emissions.

During the period May 13, 2020 to December 31, 2020, EverGen earned no revenue in its first year of operations with activities focused on establishing a sustainable infrastructure platform and for the acquisitions of NZWA and SSS. The Company incurred a net loss of $2,233, consisting primarily of general and administrative costs related to professional fees, transactions costs for the acquisitions of the operating businesses described below and share-based payment expenses for incentives issued to founders. On December 31, 2020, EverGen acquired NZWA and SSS, the acquired assets and liabilities are reflected in EverGen's total assets and total long-term liabilities in the table above. The results of operations for NZWA and SSS are expected to be reflective of EverGen's consolidated results of operations commencing on January 1, 2021 without consideration of additional acquisitions, subject to material contract renewals.

Both NZWA and SSS are private companies earning revenue from the receipt of organic waste at their respective facilities, primarily from municipal customers under contracted tipping agreements. The organic waste facilities are designed and permitted to accept most forms of organic waste from residential, commercial and industrial sources.

Cumulatively, the acquisitions included net assets of $34,042 in exchange for cash consideration of $24,498; contingent consideration of $5,655; and 777,777 common shares in EverGen. The common shares were valued at $5.00 per share using the share price of EverGen on the acquisition date. The preliminary purchase price allocation including contingent consideration may be amended on final adjustments.

In accordance with the holdback provisions and escrow arrangements as attached to the NZWA and SSS share purchase agreements, EverGen paid $5,889 to the escrow agent in trust subsequent to December 31, 2020: (i) 50% of the holdback on February 24, 2021; and (ii) the remaining 50% of the holdback on March 18, 2021. The holdback provisions include standard indemnity provisions and performance driven holdbacks. The indemnity holdbacks are expected to be released from escrow pursuant to customary closing adjustments. The performance driven holdbacks are expected to be released from escrow subject to performance obligations. In addition, the Company's restricted cash of $319 at December 31, 2020, held in restricted term deposits, as well as $447 collateralized accounts receivable at December 31, 2020, are also restricted subject to these holdback performance obligations and escrow arrangements.

As at December 31, 2020, EverGen has recognized contingent consideration of $5,655, related to standard indemnity provisions and performance driven holdbacks and working capital adjustments. Performance obligations include the ability to maintain, renew or replace certain and material customer contracts within approximately 15 months from the date of acquisition. Pursuant to customary closing adjustments and the occurrence of performance obligations, the contingent consideration is expected to be settled from holdbacks held in trust, restricted cash and collateralized accounts receivables.

All amounts in Canadian $000s, unless otherwise indicated

Transaction costs of $741 related to the acquisitions have been expensed in the consolidated financial statements of EverGen for the period ended December 31, 2020.

These acquisitions have been accounted for as business combinations using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value and are as follows:

	NZWA	SSS	Total
Cash and cash equivalents	294	358	652
Restricted cash	-	319	319
Accounts receivable	413	1,111	1,524
Prepaid expenses and other assets	67	-	67
Inventories	69	58	127
Carbon emission credits	222	-	222
Property and equipment	6,233	5,364	11,597
Intangible assets	11,590	9,370	20,960
Goodwill	3,420	7,554	10,974
Accounts payable and accrued liabilities	(1,008)	(1,649)	(2,657)
Lease liabilities	(2,001)	(1,453)	(3,454)
Deferred tax liabilities	(3,444)	(2,845)	(6,289)
Fair value of net assets acquired	15,855	18,187	34,042
Cash	12,350	12,148	24,498
Common shares	2,222	1,667	3,889
Contingent consideration	1,283	4,372	5,655
Consideration paid	15,855	18,187	34,042

The preliminary purchase price allocation is based on management's best estimate of the assets acquired and liabilities assumed. Upon finalizing the value of the net assets acquired, adjustments may be required.

NZWA and SSS are considered to be predecessor companies of EverGen under securities law and accounting regulations. As such, a review and analysis of the material results of financial performance and operations are included for reference in this MD&A and discussed below.

All amounts in Canadian $000s, unless otherwise indicated

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The below table includes the financial and operational highlights of NZWA and SSS, both wholly-owned subsidiaries of EverGen as of December 31, 2020 on a stand-alone basis.

	Year ended	
December 31	2020	2019
FINANCIAL		
Revenue		
NZWA	3,919	3,414
SSS	4,953	4,647
Net income		
NZWA	1,094	746
SSS	796	1,529
Net income per share ($), basic and diluted		
NZWA	$1,094.00	$746.00
SSS	$0.21	$0.37
EBITDA (1)		
NZWA	2,063	1,420
SSS	1,477	2,341
Adjusted EBITDA (1)		
NZWA	2,280	1,969
SSS	2,023	2,368
Capital expenditures		
NZWA	633	282
SSS	1,207	919
Total assets		
NZWA	6,966	5,815
SSS	7,154	5,957
Total long-term liabilities		
NZWA	2,092	2,085
SSS	2,427	1,972
OPERATING		
Incoming organic feedstock (tonnes)		
NZWA	49,480	43,996
SSS	42,869	39,538
Organic compost and soil sales (yards) (2)		
NZWA	29,414	27,020
SSS	32,985	32,733

(1) *Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.*
(2) *Organic compost and soil sales includes both finished and unfinished product sales and by-products.*

All amounts in Canadian $000s, unless otherwise indicated

RESULTS OF OPERATIONS

Revenue

Revenue is generated primarily through contracted tipping fees charged to municipalities and other customers for the disposal of organic waste at the Company's waste management facilities which use a Gore Cover™ system.

EverGen did not generate any revenue for the period ended December 31, 2020. The following discussion covers the revenues generated by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA			
Tipping fees	3,596	3,153	14
Organic compost and soil sales	294	256	15
Other	29	5	480
Total	3,919	3,414	15
SSS			
Tipping fees	3,281	3,047	8
Organic compost and soil sales	769	700	10
Hauling services	903	900	-
Total	4,953	4,647	7

Both NZWA and SSS generate revenues from organic waste processing via contracted tipping fees and the sale of high-quality organic compost and soils. SSS generates additional revenues from hauling services associated with delivering organic waste to its facility.

NZWA revenue increased by $505 in the year ended December 31, 2020 compared to the previous year. The higher revenue is primarily due to a $443 increase in tipping fee revenue associated with increases in both the volume of incoming organic feedstock and the average rate charged for accepting the volumes. The volume of incoming organic feedstock is measured in tonnes which increased by 5,484 or 12 percent in the year ended December 31, 2020 compared to the previous year.

SSS revenue increased by $306 in the year ended December 31, 2020 compared to the previous year, primarily as a result of the $234 increase in tipping fees. The increase in revenue from tipping fees is largely due to an increase of 3,331 tonnes or 8 percent of incoming organic feedstock.

All amounts in Canadian $000s, unless otherwise indicated

Cost of goods sold

Cost of goods sold is comprised of direct and indirect costs, including handling, labour, fuel charges and hauling costs where required, associated with organic feedstock collection and the preparation and the process of screening, blending and curing the feedstock for conversion into saleable organic compost and soil.

EverGen did not incur any cost of goods sold for the period ended December 31, 2020. The following discussion covers the cost of goods incurred by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	933	1,360	(31)
SSS	1,924	1,571	22

NZWA's cost of goods sold decreased by $427 during the year ended December 31, 2020 compared to the previous year primarily as a result of a $485 non-reoccurring charge in the prior year. The non-re-occurring charge relates to fees paid to permitted third-party facilities to receive excess organics. The NZWA facility, now EverGen's facility, has expanded its own sourcing and acceptance capabilities in 2020 relative to 2019 and expects to reduce the incurrence of these types of fees.

The cost of goods sold incurred by SSS increased by $353 in the year ended December 31, 2020, compared to the previous year as a result of increased hauling charges and fees paid to permitted third-party facilities to receive excess organics. The increase in cost of goods sold is partially offset by $30 of government assistance received by SSS.

SSS operates its facility on a site hosted by and leased from the Lil'Wat Nation and employs individuals from the Lil'Wat Nation. During 2020 and 2019, SSS received payroll grants from the Lil'Wat Nation, which are recorded as a reduction of SSS's cost of goods sold of $28 in the year ended December 31, 2020 (2019 - $17). The grants relate directly to the employment and education of Lil'Wat Nation members.

Gross profit

	Year ended		
December 31	2020	2019	% Change
NZWA	2,986	2,054	45
SSS	3,029	3,076	(2)

The gross profit for NZWA increased during the year ended December 31, 2020, compared to the prior year as a result of the increased revenue combined with the decreased cost of goods sold discussed above.

NZWA's gross profit as a percentage of revenue increased to 76 percent during the year ended December 31, 2020 compared to 60 percent in the prior year. This increase in gross profit resulted from the increased revenue related to additional volumes of organic feedstock processed combined with the decrease in cost of goods sold arising from the expansion of internal processing capabilities and the related non-reoccurring charges in 2019.

Gross profit for SSS in 2020 is consistent with the prior year. The gross profit as a percentage of revenues decreased to 61 percent for the year ended December 31, 2020 compared to 66 percent in the previous year. This decrease in gross profit as a percentage of revenue is due to the increase in cost of goods sold primarily due to costs associated with permitted third-party processing of excess organics more than offsetting the increase in revenues during 2020 as compared to 2019.

All amounts in Canadian $000s, unless otherwise indicated

Operating costs

Operating costs are comprised primarily of repairs and maintenance, licenses and permits and property taxes. EverGen did not incur any operating costs for the period ended December 31, 2020. The following discussion covers the operating costs incurred by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and December 31, 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	737	389	89
SSS	1,100	455	142

Operating costs increased by $348 and $645 for the years ended December 31, 2020 compared to the previous years for NZWA and SSS, respectively. The increases in operating costs for both NZWA and SSS are attributable to meeting existing compliance requirements and accruing a non-reoccurring compliance related charge of $300 and $550, respectively. The remaining increase in operating costs incurred by both NZWA and SSS relates to increased repairs and maintenance associated with increased activity levels in 2020 compared to the prior year.

General and administrative expenses

General and administrative expenses consist of labour and related benefits costs, professional and consulting fees and other general and administrative expenses.

EverGen incurred general and administrative expenses of $328 primarily related to professional fees in founding the Company during the period ended December 31, 2020.

The following discussion covers the general and administrative expenses incurred by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	315	281	12
SSS	510	280	82

NZWA's general and administrative expenses increased by $34 during the year ended December 31, 2020 compared to the previous year due to an increase of $20 of non-reoccurring consulting fees combined with higher labour and related benefits costs.

The increase in SSS general and administrative expenses of $230 relates primarily to an increase in management bonuses in 2020 compared to the prior year. EverGen anticipates the implementation of a management compensation philosophy that includes both cash and non-cash items, including share-based incentive programs, based on operational and corporate performance.

All amounts in Canadian $000s, unless otherwise indicated

Operating profit

Operating profit is measured as gross profit, an additional subtotal found in the statement of net income and comprehensive net income, less operating costs and general and administrative expenses and is a non-GAAP measure as defined in the non-GAAP measures section of this MD&A. Management uses this measure to evaluate the efficiency of its operations and considers it to be a key measure of profitability.

During the period ended December 31, 2020, EverGen had a negative operating profit of $328 due to professional fees included in general and administrative expenses with no offsetting gross profit. The following discussion includes the operating profit of NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	1,934	1,384	40
SSS	1,419	2,341	(39)

NZWA's operating profit increased by $550 for the year ended December 31, 2020 compared to the previous year. NZWA's operating profit as a percent of revenue increased to 49 percent in 2020 compared to 41 percent in the prior year. The increase in operating profit and operating profit as a percentage of revenue is primarily driven by increased revenues in 2020.

SSS's operating profit decreased by $922 in the year ended December 31, 2020 compared to the prior year. SSS's operating profit as a percent of revenue decreased from 50 percent in 2019 to 29 percent in 2020. The decrease in operating profit and operating profit as a percentage of revenue is primarily a result of the non-reoccurring charge of $550 as discussed in operating costs, a $207 increase in labour and benefit costs recorded in general and administrative expenses related to management bonuses and $128 of incremental fees related to permitted third-party processing of excess organics.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense and unusual or non-recurring items. EBITDA and adjusted EBITDA are non-GAAP measure as defined in the non-GAAP measures section of this MD&A.

EBITDA for EverGen for the period ended December 31, 2020 was negative $2,521 and adjusted EBITDA for EverGen was $nil.

The following discussion covers to the changes in EBITDA and adjusted EBITDA for NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
EBITDA			
NZWA	2,063	1,420	45
SSS	1,477	2,341	(37)
Adjusted EBITDA			
NZWA	2,280	1,969	16
SSS	2,023	2,368	(15)

EBITDA generated by NZWA increased by $643 during the year ended December 31, 2020 as compared to the previous year as a result of the increase in operating profit discussed above and an increase in other income of $93 in 2020.

All amounts in Canadian $000s, unless otherwise indicated

EBITDA generated by SSS deceased by $864 in the year ended December 31, 2020, compared to the previous year primarily due to the $922 decrease in operating profit as discussed above and a $58 increase in other income recorded in 2020.

Adjusted EBITDA generated by NZWA increased by $311 in the year ended December 31, 2020 compared to the previous year as a result of the changes in EBITDA partially offset by a decrease in the non-reoccurring items primarily related to the third-party processing of excess organics in 2019. Adjusted EBITDA generated by SSS decreased by $345 in the year ended December 31, 2020, compared to the prior year primarily as a result of increased general and administrative expenses as explained above.

Share-based payment expense

EverGen recorded share-based payment expense of $1,452 in the period ended December 31, 2020. Share-based payment expense include various non-cash incentive programs awarded to founders and advisors of EverGen as consideration for services rendered or recognition of incremental fair value of share capital issued. There was no share-based payment expense recorded in NZWA and SSS during the years ended December 31, 2020 or 2019. Subsequent to December 31, 2020, the Company adopted an equity incentive plan which provides for the granting of options, restricted share units and deferred share units.

Depreciation

Depreciation is recognized on property and equipment including right-of-use assets related to lease contracts.

EverGen did not record any depreciation charges for the period ended December 31, 2020. The following discussion covers the depreciation charges recognized by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and December 31, 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	408	319	28
SSS	319	239	33

During the year ended December 31, 2020, depreciation increased in both NZWA and SSS primarily as a result of capital expenditures and an increase in leased assets associated with land acreage expansion throughout 2020 and the corresponding increase in the depreciable value of property and equipment.

Finance costs (income), net

Finance costs consists primarily of the interest component of lease payments and interest recognized on loans which is expensed as incurred.

EverGen did not record any finance costs (income), net for the period ended December 31, 2020. The following discussion includes the finance costs, net of finance income, recognized by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	195	154	27
SSS	113	128	(12)

Finance costs incurred by NZWA increased during the year ended December 31, 2020 compared to the previous year primarily as a result of an additional $24 of finance costs related to lease liabilities during the year. This increase is due to increased land leases during the year ended December 31, 2020, which expands the Company's volumetric processing capabilities.

All amounts in Canadian $000s, unless otherwise indicated

The decrease in finance costs incurred by SSS during the year ended December 31, 2020 compared to the previous year, is attributable to a decrease in outstanding loans combined with a reduction in finance costs related to lease liabilities.

Other income (expense), net

Other income consists primarily of insurance proceeds and the forgivable portion of certain loans received.

EverGen did not record any other income in the period ended December 31, 2020. The following discussion covers the other income recognized by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	129	36	258
SSS	58	-	100

NZWA's other income increased by $93 in the year ended December 31, 2020 compared to the previous year as a result of insurance proceeds of $109 and loan forgiveness of $20 during 2020. NZWA's other income for the year ended December 31, 2019 includes $31 related to the sale of carbon emission credits generated by NZWA's organic waste facility. The demand for carbon emission credits decreased during 2020 as a result of COVID-19.

SSS's other income during the year ended December 31, 2020, consists of $20 of loan forgiveness and a gain on debt extinguishment with no comparable amounts recorded in the prior year.

Income taxes

Income taxes consist of current and deferred income taxes.

EverGen recorded a deferred tax recovery of $288 during the period between May 13, 2020 and December 31, 2020. The following discussion covers the tax expense recognized by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	366	202	81
SSS	249	445	(44)

NZWA's tax expense for the year ended December 31, 2020 includes current tax expense of $353 and deferred tax of $13, compared to current tax expense of $143 and deferred tax of $59 in the previous year. The increase in current tax expense is driven by an increase in taxable income consistent with the above results of operations discussion.

SSS's tax expense for the year ended December 31, 2020 includes current tax expense of $142 and deferred tax of $107, compared to $350 and $95, respectively, in the prior year. The decrease in current tax expense is due to a decrease in taxable income as a result of the decrease in net income before tax as discussed throughout this MD&A.

At December 31, 2020, EverGen has approximately $9,000 of cumulative tax pools available for future deduction against taxable income.

All amounts in Canadian $000s, unless otherwise indicated

CAPITAL EXPENDITURES

Capital expenditures include purchases of property and equipment used in operations. During the period ended December 31, 2020, EverGen had no capital expenditures. The following discussion covers the capital expenditures incurred by NZWA and SSS, on a stand-alone basis, during the years ended December 31, 2020 and 2019.

	Year ended		
December 31	2020	2019	% Change
NZWA	633	282	124
SSS	1,207	919	31

During 2020, NZWA incurred $633 of capital expenditures related to the purchase of property and equipment primarily related to leasehold improvements for paving and related groundwork at its waste management facility and other equipment. During the year ended December 31, 2019, capital expenditures incurred by NZWA related primarily to buildings and other equipment to expand the facilities processing capabilities.

In addition to the purchases of property and equipment, NZWA recognized an additional $625 of property and equipment related to leased assets during the year ended December 31, 2020 (2019 - $94). The additional leased assets included incremental acreage to extend processing capacities and additional equipment.

During the year ended December 31, 2020, SSS incurred capital expenditures related primarily to the expansion of its existing organic waste facility and the purchase of equipment. SSS has been awarded a federal grant of $765 under the Organic Infrastructure Program related to the expansion of the organic waste facility, which is expected to be completed in 2021. During the year ended December 31, 2019, capital expenditures included costs related to expansion of the waste facility and equipment used in the separation of various materials.

SSS recognized an additional $187 of property related to leased assets during the year ended December 31, 2020 (2019 - $869). Leased asset additions during 2020 included incremental land and equipment compared to 2019.

SUPPLEMENTAL QUARTERLY INFORMATION

EverGen (1)

	2020				2019			
	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1
Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(2,227)	(5)	(1)	-	-	-	-	-
Net income (loss) per share ($), basic and diluted	(6.69)	(2,142.16)	(2.73)	-	-	-	-	-
Adjusted EBITDA (2)	-	-	-	-	-	-	-	-

(1) *Includes results from date of incorporation on May 13, 2020.*
(2) *Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.*

EverGen was incorporated on May 13, 2020 and net income (loss) in each of the quarters shown is due to share-based payment expenses, transaction costs associated with the acquisitions of NZWA and SSS and non-reoccurring general and administrative expenses related to one-time professional fees.

All amounts in Canadian $000s, unless otherwise indicated

NZWA

	2020				2019			
	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1
Revenue	988	1,040	1,328	563	801	810	1,173	630
Net income	253	123	562	156	47	153	444	102
Net income per share ($), basic and diluted	252.62	123.29	562.43	155.53	47.23	153.25	443.79	102.34
Adjusted EBITDA (1)	476	645	890	269	360	486	800	323

(1) *Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.*

On a stand-alone basis, NZWA is exposed to fluctuations in revenue, net income and adjusted EBITDA as a result of the inherent seasonality of organic waste processing and the sale of organic compost and soil with increased seasonal demand in the second quarter. Quarterly fluctuations in adjusted EBITDA are due to seasonal fluctuations combined with the timing of non-reoccurring items identified in the cost of goods sold and operating sections of this MD&A.

SSS

	2020				2019			
	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	Jun 30 Q2	Mar 31 Q1
Revenue	1,185	1,299	1,759	710	1,133	1,205	1,654	655
Net income	(615)	448	886	77	271	388	787	83
Net income per share ($), basic and diluted	(0.16)	0.12	0.24	0.02	0.07	0.09	0.19	0.02
Adjusted EBITDA (1)	84	621	1,051	267	477	602	1,108	181

(1) *Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.*

On a stand-alone basis, SSS is also exposed to fluctuations in revenue, net income and adjusted EBITDA due to the seasonal nature of both organic waste processing and sale of organic compost and soil with increased demand in the second quarter. Quarterly fluctuations in adjusted EBITDA are due to seasonal fluctuations combined with the timing of non-reoccurring items identified in operating cost section of this MD&A.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of EverGen as at December 31, 2020.

EverGen's business currently operates to receive inbound organic municipal waste under contracted tipping fees with municipalities and sell outbound organic compost and soil products to farmers, gardeners and developers. The Company is presently undertaking further development and acquisitions to extend its business into RNG production.

At December 31, 2020, EverGen had cash and cash equivalents of $5,003, of which $319 is restricted, and a working capital deficit of $2,842. The working capital deficit is primarily the result of $5,655 of contingent consideration recognized as part of the acquisitions of NZWA and SSS related to standard indemnity provisions and performance driven holdbacks and working capital adjustments. Pursuant to customary closing adjustments and the occurrence of performance obligations, the contingent consideration is expected to be settled from holdbacks held in trust, restricted cash and collateralized accounts receivables. The cash proceeds from equity and debt offerings completed subsequent to year-end are expected to strengthen the financial condition of EverGen and prepares the Company for further expansion. As at the date of this MD&A, $5,889 has been transferred to trust in accordance with the holdback provisions and escrow arrangements as attached to the NZWA and SSS share purchase agreements. The holdback provisions include standard indemnity provisions and performance driven holdbacks. The indemnity holdbacks are expected to be released from escrow pursuant to customary closing adjustments. The performance driven holdbacks are expected to be released from escrow subject to performance obligations.

On May 13, 2020, EverGen was incorporated and the three founding shareholders and directors of the Company, collectively the "Founders", subscribed to a common share each for $0.01 per common share.

On December 16, 2020, the Company:

- issued 1,260,000 common shares of EverGen to the Founders on the conversion of convertible notes for funds previously advanced by the Founders; and
- in addition, recognized $500 of share-based payment expense related to determining the fair value of these common shares issued to the Founders.

On December 16, 2020, EverGen appointed an additional director and also appointed an additional officer of the Company, (together the "Additional Founders") and:

- issued 140,000 common shares to the Additional Founders at a subscription price of $0.001 per common share; and
- in addition, recognized $700 of share-based payment expense related to determining the total fair value of these common shares issued to the Additional Founders.

On December 22, 2020, EverGen:

- completed a brokered private placement of 4,617,000 subscription receipts at $5.00 per subscription receipt for gross proceeds of $23,085;
- and issued 277,020 share warrants to advisors as consideration for services rendered in connection with this private placement, see share warrants discussion below.

On December 30, 2020, the Company:

- completed a non-brokered private placement and issued 1,366,000 common shares at $5.00 per common share for gross proceeds of $6,830;
- issued 41,976 common shares with a fair value of $5.00 per common share for advisor services rendered in connection with this private placement; and
- issued 62,976 share warrants to advisors as consideration for services rendered in connection with this private placement, see share warrants discussion below.

On December 31, 2020, pursuant to the closing of the acquisitions of NZWA and SSS, each subscription receipt holder received one common share of the Company and the right to receive 0.10 of a common share (each such whole common share being a "share right") in the event that the Company does not complete a liquidity event by June 22, 2021, for no additional consideration. EverGen determined a fair value of $0.07 per share right and recognized $32 of gross proceeds in share rights and the balance of $23,053 in share capital.

On December 31, 2020, EverGen issued 444,444 common shares and 333,333 common shares as partial consideration for the purchase of all of the issued and outstanding shares of NZWA and SSS, respectively, at a fair value of $5.00 per common share.

The Company actively monitors its capital and operational spending activities to ensure that it can meet its future anticipated obligations incurred from normal ongoing operations, which may require the Company to make adjustments to its capital structure. The Company's capital structure includes working capital, lease liabilities and shareholders' equity. Regular reporting of the Company's liquidity and capital resources is provided to EverGen's board of directors. To maintain or adjust its capital structure, the Company may issue additional common shares, repay existing debt, seek additional debt financing or adjust its spending or capital expenditures. There is no assurance that any of these will be on acceptable terms to EverGen.

EverGen assesses its ability to meet its on-going obligations using the non-GAAP measures of EBITDA and adjusted EBITDA. These ratios are key measures of liquidity and the management of capital resources.

All amounts in Canadian $000s, unless otherwise indicated

Credit facilities

At December 31, 2020 the Company had no outstanding credit facilities.

On March 17, 2021, EverGen entered into a credit facility arrangement, providing for a senior secured term loan up of to $7,000, repayable over a term of three years bearing interest at a rate of Canadian Variable Rate plus 3.0 percent per annum. As at July 5, 2021, $6,808 was drawn.

Share capital

The Company had the following outstanding common shares and equity instruments at December 31, 2020:

(thousands)	
Common shares	8,203
Share warrants	340
Share rights	462
Performance share units	600
Total outstanding securities	9,605

On January 12, 2021, EverGen completed a non-brokered private placement of 254,000 common shares at $5,00 per common share for gross proceeds of $1,270.

On January 26, 2021, the Company issued 50,000 common shares with a fair value of $5.00 per common share to an advisor and former shareholder of NZWA as consideration for services rendered in connection with the acquisition of NZWA by EverGen at December 31, 2020. The Company recognized $250 of share-based payment expense in connection with the fair value of these services rendered for the period ended December 31, 2020.

On March 18, 2021, the Company completed a special warrant financing of 1,059,325 special warrants issued pursuant to prospectus exemptions under applicable securities legislation in certain provinces of Canada (and in jurisdictions outside of Canada in compliance with applicable laws therein) on a private placement basis at a price of $8.00 per special warrant, for aggregate gross proceeds of $8,475.

On March 18, 2021, the Company adopted an equity incentive plan which provides for the granting of Options, restricted share units and deferred share units. In addition, on March 18, 2021, the Company granted (i) 195,000 Options to officers, an employee and consultants of the Company; (ii) 17,500 restricted share units to an officer and consultants of the Company and (iii) 27,500 deferred share units to its directors.

Effective April 16, 2021, EverGen acquired all of the issued and outstanding shares of Fraser Valley Biogas Ltd. ("FVB"), pursuant to a share purchase agreement dated April 16, 2021 among EverGen and Heppells Potato Corporation and Pela Holdings Ltd. The Company paid an aggregate amount of $11,500 comprised of $10,500 cash consideration and issued 125,000 common shares valued at $8.00 per share.

On April 27, 2021, EverGen completed a non-brokered private placement of 111,111 common shares at a price of $9.00 per common share for gross proceeds of $1,000.

On June 22, 2021, the deadline for completing a liquidity event expired and the holders of 461,699 share rights became entitled to receive one common share of EverGen for each share right held or 461,699 common shares of EverGen in the aggregate for no additional consideration. As at July 5, 2021, these common shares have not been issued.

On June 29, 2021, the Company granted 100,000 restricted share units to an officer of the Company.

All amounts in Canadian $000s, unless otherwise indicated

On July 5, 2021, the Company had the following outstanding common shares and equity instruments outstanding:

(thousands)	
Common shares	9,825[(1)]
Share warrants	911[(2)]
Share rights	462
Stock options	195
Performance share units	600
Restricted share units	118
Deferred share units	28
Total outstanding securities	12,139

(1) *Includes the 1,059,325 Special Warrant Unit Shares that will convert to common shares of the Company upon the exercise or deemed exercise on the Automatic Exercise Date.*

(2) *Includes the 529,662 Special Warrant Unit Warrants included in the Special Warrant Financing.*

OUTLOOK

EverGen's ability to continue to grow our business and generate improvements in our financial performance depends on the execution of our strategy to build, own and operate a portfolio of RNG, waste to energy and related sustainable infrastructure projects in British Columbia and other regions in North America including:

- development and construction of existing portfolio of RNG expansion projects;
- optimization and expansion of organic waste processing facilities and RNG feedstock;
- continued growth of project portfolio via strategic acquisitions and consolidation opportunities; and
- advancement of RNG project expansions.

The Company is uniquely positioned with the prospect to capture expansion in both compost and RNG markets. The organic compost and soil industry provides opportunities in agriculture, home gardening, landscaping, horticulture and construction due to increasing demand for organic products and growing awareness regarding the disadvantages of chemical fertilizers and pesticides. The RNG industry is set to grow rapidly over the next several decades based on increased availability of various feedstock and increased customer demand for lower carbon energy alternatives.

Executing strategic and accretive acquisitions

EverGen's ability to identify, execute and integrate accretive acquisitions is a key driver of our growth. Given the significant fragmentation that exists in the North American market, our growth and success depends on our ability to realize consolidation opportunities and achieve synergies in cost and margin through the operation and expansion of facilities under a unified business platform. The identification and execution of acquisitions and consolidation opportunities as well as the integration of such into a common operating platform, with shared services and efficiency optimizations, is a key factor to our success. The successful execution of acquisitions opens new markets to EverGen, provides us with additional growth opportunities and drives further procurement and cost synergies across our operations.

Driving cost efficiencies

The Company currently provides high-value services and high-quality products through strategically located projects in British Columbia. These projects provide the foundation of our initial platform to consolidate growth and realize operational and capital efficiencies. In each of our local markets, our strong competitive position is supported by asset management discipline, investment in sustainable infrastructure and collaborative stakeholder relationships. EverGen's continued success depends on our ability to leverage our scalable network and platform to build relationships with municipal, commercial and utility customers, realize operational and capital efficiencies, and extract procurement and cost synergies.

Building collaborations

EverGen's collaboration approach propels growth and extends our execution capabilities across our value chain and supply chain. Key relationships with local developers, First Nations and other stakeholders provide access to projects and leverage our capabilities in sourcing new organic waste streams and extending out our business model to fulfill societal and customer expectations of waste recycling and waste to energy production combined with reduced greenhouse gas emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The above strategy is implemented in conjunction with our commitment to deliver on societal trends and expectations of a circular economy and fulfilling ESG values. EverGen was established for the purpose of contributing to a circular economy in waste recycling and waste to energy production through sourcing, operating and developing sustainable infrastructure and fulfilling our ESG values.

EverGen intends to deliver on its ESG values as follows:

- E – The Company recycles and repurposes organic waste products, expects to produce renewable energy and reduces greenhouse gas emissions;
- S – EverGen operates as a community-focused business, receiving and recycling organic waste from local municipalities and businesses and focused on partnering with local First Nations including as hosts for its operations and as workforce participants; and
- G – The Company is committed to strong governance practices in its current operations and in planned growth and development of RNG. EverGen is dedicated to developing a sustainable business platform through collaboration with stakeholders, communities, First Nations, employees and contractors, customers and investors and through responsible development, disciplined asset management, financial strength and resiliency and the capacity to operate and grow sustainably.

EverGen is proactively engaging with local businesses, such as restaurants and food and beverage producers and distributors, to advance socially conscious commerce, to create mutually beneficial and socially responsible alternatives to traditional waste disposal and in achieving a reduced carbon footprint. These relationships represent a significant area of growth and diversification from EverGen's existing customer base and provide the opportunity for market expansion while fulfilling expectations of directing organic waste for recycling and the production of renewable energy.

BUSINESS RISKS

EverGen's business and financial performance, which includes our results of operations and cash flows, are impacted by a number of risks. Many of these risks are outside of our control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, EverGen's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. EverGen takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation.

COVID-19 risk

In March 2020, the World Health Organization declared a global pandemic due to the Novel Coronavirus known as COVID-19. COVID-19 has significantly impacted the global economy. The full extent and impact of the COVID-19 pandemic to the Company's operations and future financial performance is unknown at this time and depends on a number of future developments which are uncertain and unpredictable. These future developments include the duration and spread of COVID-19, its continued impact on capital and financial markets, including ongoing economic concerns, and new information that may emerge concerning the severity of the virus. These uncertainties may continue beyond the determination of how to contain the virus and treatment of those impacted. The ongoing pandemic presents uncertainty and risk to the Company, its performance, and the estimates and assumptions used by management to prepare its financial results.

Business strategy risk

EverGen has been established for the purposes of establishing and contributing a circular economy in waste recycling and in waste to energy production through sourcing, operating and developing sustainable infrastructure while fulfilling the Company's ESG values. EverGen seeks to engage meaningfully with stakeholders, relies on our commitment to our ESG values regarding sustainable development, contributing to a circular economy and in operating a platform of high-quality anaerobic digestion technology. All of these contribute to what management believes is a differentiator from the Company's competitors in the region.

If EverGen fails to implement our business strategy, our financial performance and projected growth could be materially and adversely affected. Our key stakeholders, including but not limited to employees, advisors, contractors, customers, First Nations communities and investors, may not embrace and support our strategy.

EverGen's business strategy is focused on building a renewable energy platform to meet the increasing demand for socially responsible energy production and consumption of energy derived from renewable sources. The Company's revenue sources of tipping fees and sales of organic compost and soil products are expected to provide the necessary cash flows to support the transition to RNG. EverGen expects to realize on the societal and local trust in policies, programs and demand for more waste recycling and RNG production.

The Company's renewable energy platform embraces a diversified portfolio investment approach which includes multiple projects, both conversions and upgrades, and increases our opportunity for development and expansion. Both new and existing projects are evaluated on an individual risk-adjusted basis and on a collective risk-adjusted basis. There is no assurance that projects will provide the anticipated or expected level of return. The Company's RNG infrastructure platform may fail performance expectations and the renewable energy projects may not generate the expected levels of output.

The Company's commercial success depends on its ability to develop and operate individual renewable energy products. The size and sustainability of the market for renewable energy is not guaranteed.

Our planned RNG development may not occur at all, may not occur in the expected time frame or may involve the divestiture of certain businesses, projects or assets, which may negatively affect our future business and financial results. We may not realize the strategic benefits and cost synergies that are anticipated from the planned RNG development.

Acquisitions risk

EverGen's ability to make strategic acquisitions depends on our capacity to identify desirable acquisition targets, negotiate advantageous transactions despite competition for such opportunities, fund such acquisitions on terms favorable to EverGen, obtain regulatory approvals and realize the expected benefits of such transactions. The Company proactively manages its rate of growth through strategic and timely acquisitions, the development of key management capabilities and the engagement of advisors as considered appropriate.

Acquisitions and other investments made in conjunction with our expansion to RNG production and renewable energy infrastructure may not increase our results of operations in the timeframe anticipated or at all. EverGen may face difficulties in operating in new or expanded markets and to provide new revenue sources. The Company may face acquisition integration challenges such as the failure to operate within budget, failure to implement the planned operational efficiencies or such efforts may not yield the intended results. EverGen may not be able to achieve or maintain the cost savings planned through optimization efforts and synergies. The historical financial information of NZWA and SSS and the proforma consolidated financial information of EverGen may not be representative of the Company's results as a combined entity.

The integration of acquisitions by EverGen could increase our exposure to the risk of inadvertent noncompliance with laws and regulations. Liabilities associated with acquisitions, including known liabilities and ones that may exist only because of past operations of an acquired business, may provide to be more difficult or costly to address than originally anticipated.

Future acquisitions may require significant resources including financial means, which may not result in adequate returns for EverGen's shareholders.

Economic risk

There is uncertainty of EverGen's ability to successfully market its business in the areas in which it operates, global financial conditions are subject to increased volatility and there is no guarantee that the business environment in which EverGen operates in will remain substantially unchanged.

EverGen is subject to economic uncertainty related to current economic and operating conditions including commodity prices, the ability to obtain equipment, services, supplies and personnel at favorable terms. The jurisdictions in which the Company operates represent a diverse and expanding market for current production and future product or service offerings. Upon expansion of EverGen to renewable energy sales, this same market is expected to provide an abundance of additional organic feedstock.

Ongoing weaknesses in the economy may expose EverGen to credit of governmental entities and municipalities and other major customers, which could negatively impact our financial performance.

Customer contracts risk

The majority of revenues earned by NZWA and SSS are derived from long-term material contracts with municipalities located in proximity to the Company's waste processing facilities. During the year ended December 31, 2020, NZWA had three customers who represented 46 percent of revenue (2019 – three customers represented 83 percent). During the year ended December 31, 2020, SSS had two customers who represented 72 percent of revenue (2019 – two customers represented 72 percent). These revenue contracts represent a significant portion of the current revenues reported by NZWA and SSS, and management does not consider there to be a concentration of risk associated with any one customer.

A material contract for both tipping and trucking of organic waste Metro Vancouver, a material contract held by the Company's wholly-owned subsidiary SSS, submitted a request for proposal, specifically No. 20-016, related to organics management at the City of Vancouver's North Shore Transfer Station. The request for proposal was for contracts expiring June 30, 2021, which are currently held by SSS for both tipping and trucking of organic waste at the Company's facility near Whistler, British Columbia. These contracts accounted for 70 percent of the revenue generated by SSS during the year ended December 31, 2020. On April 16, 2021, the Company was notified that this material contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee. Management expects to replace this material contract with revenue from other municipal, commercial or residential sources, the specific timing of which is uncertain.

Contractual provisions are in place to safeguard EverGen in the event that this contract was not renewed or otherwise offset by new contracts. Under compensation provisions in EverGen's purchase agreement with the previous shareholders of SSS, this request for proposal outcome may prompt (i) the release to EverGen of $2,000 of performance driven holdbacks paid to the escrow agent in trust subsequent to December 31, 2020 and (ii) the release of encumbrances on the $319 of restricted cash held in restricted term deposits as well as the $447 collateralized accounts receivable at December 31, 2020, respectively, that are also subject to holdback performance obligations and escrow arrangements. The North Shore Transfer Station represents two of the 21 municipalities, less than 10 percent, included under the administration of Metro Vancouver. The remaining municipalities provide EverGen the opportunity for additional municipal contracts beyond or in addition to the North Shore Transfer Station contract.

EverGen is working in collaboration with local businesses and leading consumer driven businesses to advance socially conscious commerce under new business models targeted at organic waste recycling. These collaborations are part of EverGen's diversification and extension strategies. These new business models aim to expand and capture additional sources of organic waste for recycling by motivating and fulfilling consumer-driven expectations of organic waste recycling. Accordingly, EverGen's business model contains a significant expansion of organic waste sourcing from new participants and capture additional value beyond EverGen's current sources of revenue.

Operational regulatory risk

EverGen's operations are subject to environmental, health and safety laws and regulations. Compliance with existing and/or future regulations and/or enforcement of such regulations can restrict or change our operations, negatively affect our financial performance and a decrease in regulation may lower barriers of entry to competitors. Changes in regulations applicable to renewable fuel standards may significantly impact EverGen's business strategy and concurrently our financial performance.

Many of the laws and regulations that EverGen is subject to fall under the United Nations Declaration of Rights of Indigenous People ("UNDRIP") as recently enacted in British Columbia. UNDRIP emphasizes the rights of Indigenous people to live in dignity, to maintain and strengthen Indigenous institutions, cultures and traditions and to pursue self-determined development, in keeping with Indigenous needs and aspirations. UNDRIP includes the right to free, prior and informed consent for Indigenous people in several areas, including the resource development and by implication the regulations under which development and related operations occur. EverGen has a facility which operates on First Nation land, employs individuals from this same First Nation and relies on this First Nation for input into permitting and regulatory matters. EverGen is committed to working with First Nations and Indigenous people and upholding the highest standards of UNDRIP.

EverGen may be unable to obtain or maintain the required permits or expand existing permitted capacity of our organic waste facilities which may have a material adverse effect on our financial performance. In addition, EverGen may be subject to delays in receiving such permits.

The British Columbia Ministry of Environment and Climate Change Strategy ("MOE") is the primary regulatory body responsible for the effective protection, management and conservation of water, land, air and living resources within the locations of EverGen's operations and facilities. Through proactive engagement with the MOE, and with the input of its First Nation's allies, the Company is collaborating to ensure compliance with current and prospective regulations. Through this process, the Company and the MOE are actively participating in ongoing discussions regarding forecasted expansion plans which include remedial and corrective changes to existing sites that were not in full compliance as of the date of acquisition and as of the date of this MD&A. To achieve full compliance, management has included an operating costs accrual for the Company as at and for the period ended December 31, 2020. EverGen has developed compliance procedures and guidelines to reduce the risk of future non-compliance.

The Company may require First Nations consultation to maintain existing locations and secure future locations for capital projects. There is no guarantee that these consultations will maintain existing contracts or provide the necessary approvals for EverGen to proceed with the Company's intended development. Certain of the Company's land leases are located on First Nations land and are subject to customary approvals and extensions.

EverGen is required to comply with health, safety and operating regulations at the Company's facilities and operations, the failure of which could result in significant liability and/or fines and penalties. The failure of our employees, advisors and contractors to follow applicable procedures and guidelines may result in personal injury or property damage.

Operational risk

Operational risk relates to activities carried out with an entity, arising from structure, systems, people, products and/or processes that may cause changes or reduced to availability of resources, plant damage or component failure.

Direct and indirect losses may arise due to errors made by employees and consultants with regards to compliance with internal procedures and external regulations. These errors may be the result of errors in decisions, theft, misuse or insufficient competence and/or task specific qualifications. Operational risk is inherent is all business processes and systems and the effective management of this risk is fundamental to EverGen's current and evolving risk management systems.

Environmental risk

The Company is required to comply with environmental regulations relating to water, land, air and living resources primarily as regulated by the British Columbia MOE, the failure of which could result in significant liability and/or fines and penalties.

The EverGen business model is oriented around sustainability by improving the carbon and waste footprint of our customers and as such, we carefully consider our own environmental impact and behaviour. The collection, processing and storage of organic waste generates emissions through the consumption of fuel and electricity. Consistent with any business, EverGen faces environmental challenges and where possible EverGen strives to reduce environmental consequences.

In addition, there may be risks presented by the potential for subsurface heat reactions causing elevated organic waste temperatures and increased production of leachate, organic waste gas and odours.

Initial public offering risk

There is currently no existing public market for the common shares of EverGen. The completion of a public offering may not lead to an active trading market, or if developed, a market that is sustainable. There is no guarantee of a return on investment in the common shares of EverGen and investors may lose their entire investment. The Company is unlikely to pay dividends for an extended period of time.

Equity securities are subject to trading and volatility risks which combined with various global financial conditions including the increased volatility of financial markets may reduce the price of the common shares of the Company and dilution from additional equity offerings may negatively impact holders of common shares. The sale of common shares by existing shareholders may adversely impact the share price.

A purchaser of shares under the initial public offering may purchase shares at a substantial premium to the current book value of the common shares. The failure of securities and industry analysts to publish research or to publish inaccurate or unfavourable research about the Company's business may have a significant adverse impact on the price and trading volume of EverGen's common shares.

Legal and financial regulations risk

The impact of any pending and future legal proceedings on EverGen's business may have a material adverse impact on the Company's financial positions, results of operations and cash flows. The Company may be subject to increased risk through securities class action litigation upon the public offering of shares in EverGen.

The cost of compliance with reporting requirements and the rules and regulations affecting public issues are significant. The completion of a successful public offering is not guaranteed.

Technology risk

EverGen is increasingly dependent on technology in our operations and if the technology fails, it could adversely impact the financial and operational performance of the Company. A cybersecurity incident including a breach of secure and private information could negatively impact our financial performance, subject us to criticism or affect our relationships with customers, employees, investors and other stakeholders.

If EverGen is unable to protect intellectual property or if a competitor develops or obtains exclusive rights to a breakthrough technology, the impact on our financial performance may be significant. Developments in technology could trigger a fundamental change in the organic waste processing and the renewable energy industries, which may adversely impact volumes at our organic waste management facilities and ultimately the Company's financial performance.

Insurance risk

Although EverGen obtains insurance to protect against certain risks, there are limitations on insurance coverage that may not be sufficient to cover the full extent of such costs, or a particular risk may not be insurable in all circumstances or the Company may elect not to obtain insurance in certain circumstances. A significant event that is not fully insured against could have a material adverse effect on EverGen's financial position, results of operations and cash flows.

Reliance on key employees, advisors and consultants

EverGen's continued success depends on the performance of key employees, advisors and consultants. EverGen invests in training and workforce development with First Nations at its facility near Whistler, British Columbia. Failure to retain current, and recruit future employees and consultants, with the necessary skills could have a material adverse effect on the Company's development and growth plans.

FINANCIAL RISKS

EverGen defines financial risk as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on the Company's cash flows.

Credit risk

Credit risk is the risk of loss if purchasers or counterparties default on their financial obligations. The maximum exposure of EverGen to credit risk at December 31, 2020 is limited to cash and cash equivalents and accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions and through the performance of credit checks for new customers. The Company considers its credit risk with respect to accounts receivable to be limited to the value of the provision for allowance for expected credit losses which has been recognized.

EverGen's customers are primarily municipal governments. During the year ended December 31, 2020, NZWA had three customers who represented 46 percent of revenue (2019 – three customers represented 83 percent). During the year ended December 31, 2020, SSS had two customers who represented 72 percent of revenue (2019 – two customers who represented 72 percent). At December 31, 2020, two customers represented 31 percent of EverGen's accounts receivable and accounts receivable includes $447 of which is collateralized.

Liquidity risk

Liquidity risk is the risk that EverGen will not be able to meet its financial liabilities as they come due. The Company monitors its liquidity requirements by anticipating operating, investing and financing activities and ensuring there are enough funds to cover these activities. Liquidity risks may necessitate the need for EverGen to conduct additional equity issues or obtain debt financing.

All amounts in Canadian $000s, unless otherwise indicated

EverGen prepares annual capital expenditure and operating budgets and associated cash flow forecasts, which are monitored and updated as required. In addition, the Company requires authorizations for expenditures to assist with the management of capital.

The Company enters into leases and contracts that give rise to commitments in the normal course of business for future minimum payments. The Company had the following commitments at December 31, 2020:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Lease liabilities [(1)]	417	417	386	375	315	3,290	5,200
Service contracts [(2)]	12	12	5	5	4	-	38
Total	429	429	391	380	319	3,290	5,238

(1) *Principal and interest*
(2) *Service contracts for leased equipment.*

In addition to the above amounts, the Company has annual commitments related to certain of its land leases for utilities and property taxes that fluctuate with usage and assessments, respectively.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect EverGen's net income (loss) or value of financial instruments. At December 31, 2020, the Company has fixed interest rates associated with its lease liabilities, thereby substantially reducing the cash flow risk of market fluctuations related to interest rates. The Company has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. A summary of EverGen's critical accounting estimates and judgments can be found in note 2 and a summary of significant accounting policies can be found in note 3 to the audited consolidated financial statements for the period ended December 31, 2020.

EverGen's management reviews its estimates frequently; however, the emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. EverGen attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates, developing internal control systems and comparing past estimates to actual results. The most significant accounting estimates, judgments and assumptions made in the preparation of the consolidated financial statements include fair value of assets acquired and liabilities assumed in a business combination, impairment, depreciation, lease liabilities and ROU assets, income taxes and share-based payments.

ACCOUNTING CHANGES AND PRONOUNCEMENTS

EverGen's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

Recent accounting pronouncements issued

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements include:

- Amendments to IFRS 9 "*Financial Instruments: Recognition and Measurement*", IFRS 7 *"Financial Instruments: Disclosures"*, IFRS 4 "*Insurance Contracts*" and IFRS 16 *"Leases"* for the IASB publication "Interest Rate Benchmark Reform", which provides clarity on the changes after the reform of an interest rate benchmark. The amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform.
- International Accounting Standard 1 *"Presentation of Financial Statements"*, ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

EverGen intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

DISCLOSURE AND INTERNAL CONTROLS

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that a scope limitation exists for the periods presented in the financial statements and MD&A, as defined under National Instrument 52-109. EverGen's acquisitions of NZWA and SSS occurred less than 365 days before the end of the financial period covered by the financial statements and MD&A, presented herein. As a result, management is unable to certify over the disclosure controls and procedures as of at and for the period ended December 31, 2020, or that they are effective and provide reasonable assurance that material information related to the Company is made known to them by others within EverGen.

The Company has commenced a process to standardize and strengthen pre-existing control systems at each of the acquired entities.

It should be noted that a control system, including EverGen's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

All amounts in Canadian $000s, unless otherwise indicated

RELATED PARTY TRANSACTIONS

EverGen

EverGen had the following related party transactions during the period ended December 31, 2020:

Key management compensation

The fair value of compensation and other fees paid to the board of directors and members of executive management of EverGen for the period ended December 31, 2020 is as follows:

Share-based payment expense	1,202
Consulting fees included in transaction costs	256
	1,458

The Company has the following amounts included in accounts receivable which are owing from related parties:

	December 31, 2020
Net Zero Waste East Gate Ltd.	26
	26

EverGen has the following amounts included in accounts payable and accrued liabilities which are owing to related parties:

	December 31, 2020
1210366 BC Ltd.[(1)]	174
Dekany Consulting Inc.	256
Other	4
	434

(1) *Subsequent to December 31, 2020, 1210366 BC Ltd. changed its name Net Zero Waste Infrastructure Corp.*

EverGen does not expect to have significant related party transactions outside of key management compensation going forward.

NZWA

Key management compensation

The fair value of compensation and other fees paid to the board of directors and members of executive management of NZWA is as follows:

For the years ended December 31,	2020	2019
Salaries and benefits	164	151

Revenue and expenses

The exchange value of revenue earned from and expenses paid to related parties for NZWA is as follows:

For the years ended December 31,	2020	2019
Revenue	29	-
Expenses	22	-

Revenue earned from related parties during the year ended December 31, 20120 includes $29 for rental of equipment (2019 - $nil) to an entity in which a member of key management personnel is a shareholder and director.

All amounts in Canadian $000s, unless otherwise indicated

Expenses paid to related parties during the year ended December 31, 2020 include $22 for equipment rentals (2019 - $nil) which are included in operating costs. The entity is related to NZWA due to a member of NZWA's key management personnel being a director and controlling shareholder of the vendor providing the equipment rentals. During the year ended December 31, 2020, NZWA was reimbursed by an entity under common ownership for general and administrative expenses incurred by NZWA of $36 (2019 - $26).

SSS

Key management compensation

The fair value of compensation and other fees paid to the board of directors and members of executive management of SSS is as follows:

For the years ended December 31,	2020	2019
Salaries and benefits	462	260

Revenue and expenses

SSS had no revenue earned from related parties during the year ended December 31, 2020 (2019 - $nil).

The exchange value of expenses paid to related parties of SSS is as follows:

For the years ended December 31,	2020	2019
Expenses	770	689

Expenses paid to related parties of SSS during the year ended December 31, 2020 include $763 for trucking services (2019 - $683) which are included in cost of goods sold. The entity is related to SSS due to a member of SSS's key management personnel being a director and controlling shareholder of the vendor providing the trucking services. Other expenses of $7K were paid to related parties during the year ended December 31, 2020 (2019 - $6). During the year ended December 31, 2020, SSS reimbursed an entity under common ownership for general and administrative expenses incurred on behalf of SSS of $36 (2019 - $26).

SUBSEQUENT EVENTS

On January 12, 2021, EverGen completed a non-brokered private placement of 254,000 common shares for gross proceeds of $1,270.

On January 26, 2021, EverGen completed a non-brokered private placement of 5,000 common shares for gross proceeds of $25 and on February 23, 2021 completed an additional non-brokered private placement of 5,000 common shares for gross proceeds of $25.

On March 15, 2021, Jennifer Schilling, was appointed Chief Financial Officer of EverGen.

On March 17, 2021, EverGen entered into a credit facility arrangement, providing for a senior secured term loan up of to $7,000, repayable over a term of three years bearing interest at a rate of Canadian Variable Rate plus 3.0 percent per annum. As at July 5, 2021, $6,808 was drawn.

The credit facility agreement is subject to the following covenants:

- Maintain a consolidated working capital ratio equal to or greater than 1.20:1 at all times;
- Maintain a consolidated "fixed charge coverage ratio" as defined in the agreement equal to or greater than 1.20:1 at all times, tested quarterly on a rolling four quarters basis;
- Maintain a consolidated "total funded debt to EBITDA ratio" as defined in the agreement equal to or less 3.00 at all times, tested quarterly on a rolling four quarters basis and to be stepped down to 2.50 starting in fiscal 2022; and
- Other operational and financial covenants including but not limited to the Company's ability to pay dividends, incur additional debt, directly or indirectly grant loans or make investments and other such matters.

On March 18, 2021, the Company completed a special warrant financing of 1,059,325 special warrants issued pursuant to prospectus exemptions under applicable securities legislation in certain provinces of Canada (and in jurisdictions outside of Canada in compliance with applicable laws therein) on a private placement basis at a price of $8.00 per special warrant, for aggregate proceeds of $8,475.

In accordance with the holdback provisions and escrow arrangements as attached to the NZWA and SSS share purchase agreements, EverGen paid $5,889 to the escrow agent in trust subsequent to December 31, 2020: (i) 50% of the holdback on February 24, 2021; and (ii) the remaining 50% of the holdback on March 18, 2021. The holdback provisions include standard indemnity provisions and performance driven holdbacks.

On March 18, 2021, the Company adopted an equity incentive plan which provides for the granting of stock options, restricted share units and deferred share units. In addition, on March 18, 2021, the Company granted (i) 195,000 Options to officers, an employee and consultants of the Company; (ii) 17,500 restricted share units to an officer and consultants of the Company and (iii) 27,500 deferred share units to its directors.

The Company, through its wholly-owned subsidiary SSS, submitted a request for proposal, specifically No. 20-016, for the City of Vancouver's North Shore Transfer Station five-year contract related to organics management. The request for proposal was for contracts expiring June 30, 2021, currently held by SSS for both tipping and trucking of organic waste. During the three months ended March 31, 2021, these contracts accounted for 31 percent of EverGen's revenue (year ended December 31, 2020, these contracts accounted for 70 percent of SSS's revenue). On April 16, 2021, the Company was notified that this material contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee. Contractual provisions are in place to safeguard EverGen in the event that this contract was not renewed or otherwise offset by new contracts. Under compensation provisions in EverGen's purchase agreement with the previous shareholders of SSS, this request for proposal outcome may prompt (i) the release to EverGen of $2,000 of performance driven holdbacks paid to the escrow agent in trust subsequent to December 31, 2020 and (ii) the release of encumbrances on the $319 of restricted cash held in restricted term deposits as well as the $447 collateralized accounts receivable at December 31, 2020, respectively, that are also subject to holdback performance obligations and escrow arrangements. In addition, this outcome may also prompt the derecognition of contingent consideration included in the purchase price at December 31, 2020 related to performance obligations.

Effective April 16, 2021, EverGen acquired all of the issued and outstanding shares of Fraser Valley Biogas Ltd. ("FVB"), pursuant to a share purchase agreement dated April 16, 2021 among EverGen and Heppells Potato Corporation and Pela Holdings Ltd. The Company paid an aggregate amount of $11,500 comprised of $10,500 cash consideration and issued 125,000 common shares valued at $8.00 per share. FVB owns and operates a biogas facility in Abbotsford, British Columbia which sells RNG under a long-term contract with Fortis BC. EverGen used a portion of the net proceeds from the March 18, 2021 Special Warrant Financing and funds from the March 17, 2021 credit facility to fund the acquisition of FVB.

On April 27, 2021, EverGen completed a non-brokered private placement of 111,111 common shares at a price of $9.00 per common share for gross proceeds of $1,000.

On April 28, 2021, the Company filed a preliminary prospectus with the intention of completing an initial public offering.

On April 29, 2021, EverGen's wholly owned subsidiary Net Zero Waste Abbotsford Inc. entered into a 20-year offtake agreement with FortisBC Energy Inc. (Fortis BC). Under the agreement, FortisBC will purchase up to 173,000 gigajoules of RNG annually for injection into its natural gas system, upon completion of an anaerobic digester project at EverGen's existing Net Zero Waste Abbotsford composting and organic processing facility in Abbotsford, British Columbia. Once approved by the British Columbia Utilities Commission and other regulatory agencies, the project would convert municipal and commercial organic waste into energy to meet the needs of approximately 1,900 residential homes.

All amounts in Canadian $000s, unless otherwise indicated

On May 7, 2021, the Company received $375 of the $447 portion of the Organic Infrastructure Program grant recorded in accounts receivable at March 31, 2021. The payment received is held as restricted cash.

On June 22, 2021, the deadline for completing a liquidity event expired and the holders of 461,699 share rights became entitled to receive one common share of EverGen for each share right held or 461,699 common shares of EverGen in the aggregate for no additional consideration. As at July 5, 2021, these common shares have not been issued.

On June 29, 2021, the Company granted 100,000 restricted share units to an officer of the Company.

ADDITIONAL INFORMATION

Additional information related to EverGen is available on SEDAR at www.sedar.com.

NON-GAAP MEASUREMENTS

EverGen, NZWA and SSS uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by International Financial Report Standards ("IFRS"). The following terms: "EBITDA", "adjusted EBITDA", "operating profit" and "working capital" are not recognized measures under IFRS and may not be comparable to that reported by other companies. EverGen believes that, in addition to measures prepared in accordance with IFRS, the non-GAAP measurements provide useful information to evaluate the Company's, NZWA's and SSS' performance and ability to generate cash, profitability and meet financial commitments.

These non-GAAP measures ae intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's, NZWA's and SSS' ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense and unusual or non-recurring items.

The following table provides a reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA, to the applicable IFRS measure for EverGen:

For the period from May 13, 2020 to December 31, 2020	
Net income (loss)	(2,233)
Tax expense (recovery)	(288)
EBITDA	**(2,521)**
Share-based payment expense	1,452
Non-recurring items	1,069
Adjusted EBITDA	-

Non-recurring items for EverGen consist of transaction costs and one-time professional fees related to initial incorporation and integration of acquisitions included in general and administrative expenses and incurred during the period from incorporation to December 31, 2020.

All amounts in Canadian $000s, unless otherwise indicated

The following table provides a reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA, a to the applicable IFRS measurement for NZWA:

December 31	Year ended 2020	2019
Net income	1,094	746
Tax expense	366	201
Depreciation	408	319
Finance costs (income), net	195	154
EBITDA	2,063	1,420
Non-recurring items	217	549
Adjusted EBITDA	2,280	1,969

Non-recurring items for NZWA during 2020 consist primarily of one-time costs related to compliance and certain consulting fees, partially offset by insurance proceeds and debt forgiveness. Non-reoccurring items for NZWA during 2019 consist of fees for permitted third-party processing of organic waste processing and professional fees that are not considered reoccurring.

The following table provides a reconciliation of the non-GAAP measures of, EBITDA and adjusted EBITDA, to the applicable IFRS measurement for SSS:

December 31	Year ended 2020	2019
Net income	796	1,529
Tax expense	249	445
Depreciation	319	239
Finance costs (income), net	113	128
EBITDA	1,477	2,341
Non-recurring items	546	27
Adjusted EBITDA	2,023	2,368

Non-recurring items for SSS during 2020 consist of one-time costs related to compliance and certain consulting fees, offset by debt forgiveness and a gain on debt extinguishment which is not considered reoccurring. Non-reoccurring items for SSS during 2019 include certain professional fees.

Operating profit

Management considers operating profit a key metric in analyzing operational efficiency and performance and the Company's, NZWA's and SSS' ability to generate cash flow. Operating profit is measured as gross profit, an additional subtotal found in the statements of net income, less operating costs and general and administrative expenses.

The following table provides a reconciliation of operating profit, a non-GAAP measure to the applicable IFRS measurement for NZWA:

December 31	Year ended 2020	2019
Gross profit	2,986	2,054
Operating costs	737	389
General and administrative expenses	315	281
Operating profit	1,934	1,384

All amounts in Canadian $000s, unless otherwise indicated

The following table provides a reconciliation of operating profit, a non-GAAP measure to the applicable IFRS measurement for SSS:

	Year ended	
December 31	2020	2019
Gross profit	3,029	3,076
Operating costs	1,100	455
General and administrative expenses	510	280
Operating profit	1,419	2,341

Working capital

Working capital for EverGen is calculated as current assets of $6,979 less current liabilities of $9,821 as of December 31, 2020. EverGen had a working capital deficit of $2,842 at December 31, 2020. The Company expects to eliminate the working capital deficit with the gross proceeds from equity and debt financings completed subsequent to December 31, 2020.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as: "anticipates", "believes", "continues", "estimates", "could", "expects", "intends", "may", "objective", "ongoing", "plans", "will", "projects", "should", or similar expressions suggesting future outcomes or events. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- EverGen's plans to develop and construct a platform of sustainable infrastructure, produce RNG and reduce carbon emissions;
- Optimization and expansion of organic waste processing facilities and RNG feedstock;
- Cost savings through synergies and efficiencies expected to be realized from the acquisitions of NZWA and SSS;
- Continued growth through strategic acquisitions and consolidation opportunities;
- Management's expectations of replacing the Metro Vancouver material contract that was awarded to another bidder subsequent to December 31, 2020; and
- The establishment and realization of a circular economy through the Company's organic waste management facilities and the expansion and development of renewable energy.

Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of EverGen. These include, but are not limited to, risks associated with renewable energy sources, such as market competition, volatility of prices, currency fluctuations, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external sources.

Although management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date hereof for the purposes of providing the readers with EverGen's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from forward-looking statements previously disclosed by the Company for a period that is not yet complete, EverGen will provide disclosure on such events and the anticipated impact of such events.

Independent auditor's report

To the Board of Directors of EverGen Infrastructure Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EverGen Infrastructure Corporation and its subsidiaries (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the period of incorporation from May 13, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of net income (loss) and comprehensive income (loss) for the period then ended;
- the consolidated statement of changes in shareholders' equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Other information

Management is responsible for the other information. The other information comprises the 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the 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 the 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 judgment 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
July 5, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020
(Canadian $000's)

	Notes	
Current assets		
Cash and cash equivalents	5	4,684
Restricted cash	5	319
Accounts receivable	6	1,515
Prepaid expenses and other assets		112
Inventories		127
Carbon emission credits	4	222
		6,979
Property and equipment	7	11,597
Intangible assets	8	20,960
Goodwill	9	10,974
Total assets		**50,510**
Current liabilities		
Accounts payable and accrued liabilities	10	3,941
Lease liabilities	12	225
Contingent consideration	4	5,655
		9,821
Lease liabilities	12	3,229
Deferred tax	15	5,551
Total liabilities		**18,601**
Shareholders' equity		
Share capital	13	32,790
Share warrants	13	1,068
Share rights	13	32
Contributed surplus	13	252
Accumulated deficit		(2,233)
Total shareholders' equity		**31,909**
Total liabilities and shareholders' equity		**50,510**

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

Commitments	20
Subsequent events	21

On behalf of the board of directors:

Signed *"Chase Edgelow"*	Signed *"Mary Hemmingsen"*
Chase Edgelow, Director	Mary Hemmingsen, Director

CONSOLIDATED STATEMENT OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the period May 13, 2020 to December 31, 2020
(Canadian $000s, except per share amounts)

	Notes	
General and administrative expenses	14	328
Share-based payment expenses	13	1,452
Transaction costs	4	741
Net income (loss) before taxes		(2,521)
Tax expense (recovery)	15	(288)
Net income (loss) and comprehensive (loss)		(2,233)
Earnings (loss) per share – basic and diluted	16	$ (17.05)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Canadian $000's)

	Notes	
Share capital		
Balance, May 13, 2020		-
Common shares issued to Founders on conversion of convertible notes	11,13	600
Common shares issued to Additional Founders	13	700
Common shares issued on private placements	13	29,883
Common shares issued in exchange for advisor services	13	210
Common shares issued as consideration for acquisitions	4,13	3,889
Share issue costs, net of tax	13	(2,492)
Balance, December 31, 2020		32,790
Share warrants		
Balance, May 13, 2020		-
Share warrants issued for advisor and brokers services on private placements	13	1,068
Balance December 31, 2020		1,068
Share rights		
Balance, May 13, 2020		-
Share rights issued on private placement	13	32
Balance December 31, 2020		32
Contributed surplus		
Balance, May 13, 2020		-
Share-based payments	13	1,452
Share-based payments of common shares issued to Founders on conversion of convertible notes	11,13	(500)
Share-based payments of common shares issued to Additional Founders	13	(700)
Balance, December 31, 2020		252
Accumulated deficit		
Balance, May 13, 2020		-
Total comprehensive loss		(2,233)
Balance, December 31, 2020		(2,233)
Total Shareholders' Equity		31,909

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period May 13, 2020 to December 31, 2020
(Canadian $000's)

	Notes	
Operating activities		
Net income (loss)		(2,233)
Items not affecting cash:		
Share-based payment expenses	13	1,452
Deferred income tax expense (recovery)	15	(288)
Changes in non-cash working capital	19	1,023
Net cash flow from (used in) operating activities		**(46)**
Investing activities		
Acquisitions	4	(24,498)
Cash, cash equivalents and restricted cash included in acquisitions	4	971
Net cash flows from (used in) investing activities		**(23,527)**
Financing activities		
Proceeds from non-brokered private placement	13	6,830
Proceeds from brokered private placement	13	23,085
Share issue costs	13	(1,663)
Funds advanced by Founders and exchanged for convertible notes and subsequently converted to common shares	11	100
Changes in non-cash working capital	19	224
Net cash flows from (used in) financing activities		**28,576**
Net change in cash		5,003
Cash and cash equivalents at May 13, 2020		-
Cash, cash equivalents and restricted cash at December 31, 2020	5	**5,003**

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

1. REPORTING ENTITY

EverGen Infrastructure Corp. ("EverGen" or the "Company") operates two Gore Cover™ organic waste management facilities in British Columbia. The Company processes organics, yard waste and biosolids for a contracted tipping fee and produces high-quality organic compost and soils for farmers, gardeners and developers as part of its outbound business. EverGen plans to develop anaerobic digestion infrastructure and eventually sell renewable natural gas ("RNG"). On December 31, 2020, the Company completed a plan of arrangement (the "Arrangement") with Net Zero Waste Abbotsford Ind. ("NZWA") and Sea to Sky Soils and Composting Inc. ("SSS") whereby all the issued and outstanding shares of NZWA and all the issued and outstanding shares of SSS were acquired by EverGen. These transactions were accounted for as business combinations.

EverGen was incorporated under the *British Columbia Business Corporations Act* on May 13, 2020.

The Company's principal place of business is located at #600 - 1111 W Hastings Street Vancouver, British Columbia and its registered office is located at 1200 Waterfront Centre, 200 Burrard Street Vancouver, British Columbia.

The Company's revenue, costs of goods sold and certain operating costs are impacted by seasonal weather variation and the related fluctuations in volumes processed.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

The policies applied in these consolidated financial statements are based on IFRS issued, effective and outstanding as of December 31, 2020. These consolidated financial statements were approved and authorized for issuance by EverGen's board of directors on July 5, 2021.

The Company's opening balance sheet consisted of a nominal amount of cash and common shares (see note 13).

b) Basis of measurement, functional and presentation currency and operating segments

These financial statements are presented in Canadian dollars, EverGen's functional currency, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, except as detailed in the Company's accounting policies disclosed in note 3.

EverGen manages its business on the basis of one operating and reportable segment.

c) Use of estimates, judgements and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that EverGen may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates and judgments used in the preparation of these financial statements are outlined below.

Fair value of assets acquired and liabilities assumed in a business combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of the acquisition. Estimates are used to determine the fair value of the acquired assets and assumed liabilities and include quoted market prices and widely accepted valuation techniques.

Impairment

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount. Goodwill is tested for impairment at least annually.

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows and that are largely independent of the cash inflows of other assets or groups of assets. These assets are allocated into a cash-generating unit ("CGU"). The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the performance of the assets.

The recoverable amount of a CGU is determined as the greater of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). These calculations require the use of estimates applied by management regarding forecasted activity levels, expected future results and discount rates among others. These estimates are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGU.

Depreciation

Depreciation of EverGen's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change or as technological advancements are made.

Lease liabilities and right-of-use assets

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. The measurement of lease liabilities and right-of-use ("ROU") assets incorporates an estimate of lease terms and discount rates. The term of a lease is determined as the non-cancellable period of a lease and includes periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In considering the option to extend a lease, EverGen considers all the relevant facts and circumstances that create an economic incentive to exercise or not exercise the option. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment. Where the rate implicit in a lease is not readily determinable, the discount rate is estimated using a discount rate similar to the Company's incremental borrowing rate to purchase an asset of similar value, with similar payment terms and security.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of the EverGen's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable profits.

Share-based payments

Compensation costs recorded pursuant to share-based compensation and payment plans are subject to estimated fair values which are based on significant assumptions such as risk-free interest rates, volatility and anticipated dividends.

Convertible debt

The fair value of the convertible debt is subject to estimated fair values which are based on significant assumptions such as risk-free rates and volatility.

d) Recent developments and impact on estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic due to Novel Coronavirus ("COVID-19"). COVID-19 has significantly impacted the global economy. The full extent and impact of the COVID-19 pandemic to EverGen's operations and future financial performance is unknown at this time and depends on a number of future developments which are uncertain and unpredictable. These future developments include the duration and spread of COVID-19, its continued impact on capital and financial markets and new information that may emerge concerning the severity of the virus. These uncertainties may continue beyond the determination of how to contain the virus and treatment of those impacted. The ongoing pandemic presents uncertainty and risk to EverGen, its performance, and the estimates and assumptions used by management to prepare its financial results.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by EverGen for all periods presented in these financial statements.

a) Principles of consolidation

The consolidated financial statements include the accounts of EverGen and its subsidiaries. Subsidiaries are entities over which EverGen has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method, where the identifiable assets acquired and liabilities assumed are recognized and measured at their fair value at the date of acquisition, with the exception of income taxes, lease liabilities and ROU assets. Any excess of the purchase price over the value of the net assets acquired is recognized as goodwill and any deficiency of the purchase price over the value of the net assets acquired is recorded as a gain in net earnings. At acquisition, goodwill is allocated to each of the CGUs to which it relates. Subsequent measurement of goodwill is at cost less any accumulated impairment losses. Associated transaction costs are expensed when incurred.

Contingent consideration transferred in a business combination is measured at fair value on the date of acquisition and classified as a financial liability or equity. Contingent consideration classified as a liability is re-measured at fair value at each reporting period, with changes in fair value recognized in net earnings. Payments are classified as cash used in investing activities until the cumulative payments exceed the acquisition date fair value of the liability. Cumulative payments in excess of the acquisition date fair value are classified as cash used in operating activities.

c) Revenue recognition

Revenue is generated primarily from tipping fees charged to customers upon receipt of organic waste at the Company's organic waste facilities and through the sale of organic compost and soil. Revenues are influenced by various factors such as the type and weight or volume of waste materials disposed of at EverGen's facilities.

Recognition of revenue from tipping fees occurs based on individual contractual terms and when indicators of the transfer of control exist, which is generally satisfied when the services are completed in accordance with the contract specifications. Revenue earned from the rendering of services and earned at a point in time relates to includes tipping fees on organic waste disposal and trucking services.

Revenue from the sale of organic compost and soil is recognized when transfer of control exists, primarily at the transfer of finished goods inventory to the customer.

EverGen's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money. The Company does not disclose information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

Finance income is recognized as it accrues using the effective interest rate method.

d) Cost of goods sold

Cost of goods sold is comprised of direct and indirect costs, including handling, labour, fuel charges and hauling costs where required, associated with organic feedstock collection and the preparation and the process of screening, blending and curing the feedstock for conversion into saleable organic compost and soil.

e) Operating costs

Operating costs are comprised of repairs and maintenance, utilities, licenses and permits and property taxes.

f) General and administrative expenses

General and administrative expenses consist of labour and related benefits costs, which includes salaries, bonuses and other related payroll benefits; professional fees, which includes fees for consulting, legal, audit and tax services; and other general and administrative expenses.

g) Government assistance and other grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Grants related to assets are recorded as deferred income and amortized into other income over the useful life of the underlying asset. Claims under government grant programs related to the recovery of expenses are recorded as a reduction of the eligible expenses. Government grants in which there are no corresponding assets or expenses are recorded in other income in net income (loss) in the period in which the reasonable assurance and conditions of the grants have been met.

h) Finance costs

Finance costs consist of the interest component of lease payments and interest recognized on loans which is expensed as incurred.

i) Cash

Cash consists of cash on deposit, short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired. Restricted cash is disclosed separately.

j) Inventory

Inventory consists of raw materials, work in progress, and finished goods. Inventory consists of organic and green waste products ("organic feedstock"), compost and soil which is at various stages of decomposition ("work-in-progress"), and various grades of saleable branded compost and soil ("finished goods").

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle and includes expenditures incurred in acquiring the raw materials, processing or conversion costs, and other costs incurred in producing saleable compost and soil. In the case of work in progress, cost includes an appropriate share of these costs based on its stage of completion. Net realizable value is the estimated selling price less applicable selling costs.

k) Property and equipment

Property and equipment has been measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable. Repairs and maintenance are expensed as incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Buildings, leasehold improvements, equipment, vehicles and other are depreciated on a straight-line basis over their estimated useful economic lives. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The following useful lives are utilized for each determining depreciation:

Asset class	
Buildings and leasehold improvements	15 – 25 years
Equipment, vehicles and other	10 – 15 years
Right-of-use assets	2 – 19 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

l) Leases

EverGen assesses whether a contract is a lease; based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. EverGen allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by EverGen. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using EverGen's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether EverGen will exercise a purchase, extension or termination option that is within the control of EverGen. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability; initial direct costs incurred; and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset; less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using EverGen's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

m) Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price to acquire an asset or costs directly attributable to the internal generation of an asset. Internally generated intangible assets arising from development activities involving a plan or design for new or substantially improved products and processes are capitalized only if the development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and EverGen's has the intention and sufficient resources to complete development and use or sell the assets.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliability on initial recognition. Expenditures on research activities undertaken with the prospect of gaining technical knowledge are expensed as incurred.

Intangible assets are depreciated on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not depreciated. The following useful lives are utilized for each determining depreciation:

Asset class	
Brands	20 years
Customer contracts and stakeholder relationships	2 – 25 years

n) Impairment

Property and equipment and intangible assets are reviewed separately for indicators of impairment at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include but are not limited to changes in EverGen's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses, other than goodwill, recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

Goodwill is tested for impairment at least annually or as events occur that could result impairment. Goodwill is tested for impairment at an operating segment level by comparing the carrying amounts of the operating segment's assets, property and equipment, ROU assets and goodwill, and comparing the recoverable amount. The recoverable amount of the operating segment is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of the underlying assets. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss). Goodwill impairments are not reversed.

o) Convertible notes

Notes issued with a convertible feature are valued at the fair value of the conversion feature using a Black-Scholes model with the difference between cash proceeds and fair value recorded in equity.

p) Provisions and contingencies

A provision is recognized if, as a result of a past event, EverGen has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

q) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. EverGen reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

r) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity.

s) Equity-settled share-based payments

EverGen has equity-settled incentive programs for the granting of additional shares. EverGen follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at the fair value of the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model.

t) Per share amounts

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive potential common shares which comprise performance share units (“PSUs”) and warrants and rights under the shareholder rights plan. The calculation assumes that the proceeds on exercise of the PSUs, warrants or shareholders rights are used to repurchase shares at the average market price during the period. Should the Company have a loss in a period, PSUs, warrants and shareholder rights would be anti-dilutive and are excluded from the determination of fully diluted loss per share.

u) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the transaction dates. Foreign exchange gains and losses are recorded in net income (loss) in the period in which they occur.

v) Financial instruments

EverGen’s financial assets consist of cash and cash equivalents, accounts receivable and carbon emission credits. EverGen’s financial liabilities consist of accounts payable and accrued liabilities, contingent payments and lease liabilities.

Financial instruments are recognized when EverGen becomes a party to the contractual provisions of the instrument. Financial instruments are recognized at fair value on initial recognition less transaction costs directly attributable to the acquisition or issuance of the financial instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired. Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) on the basis of EverGen’s business model and contractual cash flows of the financial asset. Financial liabilities are subsequently measured at amortized cost or FVTPL. Amortized cost is calculated by taking into account any issue costs. Interest expense is recognized in net earnings.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and EverGen has transferred substantially all the risks and rewards of ownership.

EverGen recognizes loss allowances for ECLs on its financial assets measured at amortized cost. Due to the nature of its financial assets, EverGen measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECL. The Company's historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management's assumptions are updated and adjusted at each reporting date. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that EverGen expects to receive. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Financial assets and liabilities are not offset unless EverGen has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

w) Related party transactions

Related party transactions are accounted for at the exchange amount which is the amount agreed upon between the parties.

x) Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of EverGen's financial statements include:

- Amendments to IFRS 9 "*Financial Instruments: Recognition and Measurement*", IFRS 7 *"Financial Instruments: Disclosures"*, IFRS 4 "*Insurance Contracts*" and IFRS 16 *"Leases"* for the IASB publication "Interest Rate Benchmark Reform", which provides clarity on the changes after the reform of an interest rate benchmark. The amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform.

All amounts in Canadian $000s, unless otherwise indicated

- International Accounting Standard 1 *"Presentation of Financial Statements"*, ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

EverGen intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

4. BUSINESS COMBINATIONS

a) Transaction overview

On December 31, 2020, EverGen acquired all the issued and outstanding common shares of NZWA and all of the issued and outstanding common shares of SSS, both private companies who operate Gore Cover™ organic waste management businesses in British Columbia, in exchange for cash consideration of $24,498, contingent consideration of $5,655 and 777,777 common shares in EverGen. The common shares were valued at $5.00 per common share using the share price of EverGen on the acquisition date.

The goodwill recognized on this acquisition was attributed to the strategic benefits that consolidated operations are expected to bring, expected future cash flows generated from the ability to grow the development of anaerobic digestion infrastructure and eventual sale of RNG, in addition to the recognition of a deferred tax liability generated by the recognition of the fair value of the net assets acquired.

b) Net assets acquired and consideration paid

This transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value are as follows:

	NZWA	SSS	Total
Cash and cash equivalents	294	358	652
Restricted cash	-	319	319
Accounts receivable	413	1,111	1,524
Prepaid expenses and other assets	67	-	67
Inventories	69	58	127
Carbon emission credits	222	-	222
Property and equipment	6,233	5,364	11,597
Intangible assets	11,590	9,370	20,960
Goodwill	3,420	7,554	10,974
Accounts payable and accrued liabilities	(1,008)	(1,649)	(2,657)
Lease liabilities	(2,001)	(1,453)	(3,454)
Deferred tax liabilities	(3,444)	(2,845)	(6,289)
Fair value of net assets acquired	**15,855**	**18,187**	**34,042**
Cash	12,350	12,148	24,498
Common shares	2,222	1,667	3,889
Contingent consideration	1,283	4,372	5,655
Consideration paid	**15,855**	**18,187**	**34,042**

The preliminary purchase price allocation is based on management's best estimate of the assets acquired and liabilities assumed. Upon finalizing the value of the net assets acquired, adjustments may be required.

The acquisition includes carbon emission credits generated by NZWA's organic waste facility which have been valued using the period end trading prices of same or similar credits.

Intangible assets consist of brands valued at $1,180 and customer contracts and relationships valued at $23,780.

The consolidated statement of comprehensive income (loss) includes the results of operations for the period following the close of the transaction on December 31, 2020. EverGen incurred transaction costs of $741 in conjunction with the acquisition, all of which have been expensed.

The above amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

If the closing of the acquisitions had occurred on January 1, 2020, EverGen's consolidated revenue and net income (loss) would have been $8,868 and $(1,477), respectively.

c) Holdback provisions and escrow arrangements

In accordance with the holdback provisions and escrow arrangements as attached to the NZWA and SSS share purchase agreements, EverGen paid $5,889 to the escrow agent in trust subsequent to December 31, 2020: (i) 50% of the holdback on February 24, 2021; and (ii) the remaining 50% of the holdback on March 18, 2021. The holdback provisions include standard indemnity provisions and performance driven holdbacks. The indemnity holdbacks are expected to be released from escrow pursuant to customary closing adjustments. The performance driven holdbacks are expected to be released from escrow subject to performance obligations.

In addition, the Company's restricted cash of $319 at December 31, 2020, held in restricted term deposits as required by the Organic Infrastructure Program, see note 5, as well as $447 collateralized accounts receivable at December 31, 2020, see note 6, are also restricted subject to these holdback performance obligations and escrow arrangements.

d) Contingent consideration

As at December 31, 2020, EverGen has recognized contingent consideration of $5,655, related to standard indemnity provisions and performance driven holdbacks and working capital adjustments. Performance obligations include the ability to maintain, renew or replace certain and material customer contracts within approximately 15 months from the date of acquisition. Pursuant to customary closing adjustments and the occurrence of performance obligations, the contingent consideration is expected to be settled from holdbacks held in trust, restricted cash and collateralized accounts receivables, see holdback provisions above. Subsequent to December 31, 2020, the Company received notice that it was not successful in securing the renewal of a material contract with Metro Vancouver, see note 21.

5. RESTRICTED CASH

The Company's restricted cash of $319 at December 31, 2020 is held in restricted term deposits as required by the Organic Infrastructure Program, a grant awarded to the Company's wholly-owned subsidiary SSS, for the expansion of the Company's organic waste facility.

All amounts in Canadian $000s, unless otherwise indicated

6. ACCOUNTS RECEIVABLE

	December 31, 2020
Trade receivables	1,056
Organic Infrastructure Program receivable	447
Other	12
	1,515

The Company, through its wholly-owned subsidiary, SSS, was awarded a federal grant of $765 under the Organic Infrastructure Program for the expansion of its organic waste facility. A portion of the grant, $447 is recorded in accounts receivable at December 31, 2020 and is collateralized, of which $375 was received on May 7, 2021 and held as restricted cash.

7. PROPERTY AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Total
May 13, 2020	-	-	-	-
Acquisition of NZWA	2,385	1,847	2,001	6,233
Acquisition of SSS	2,174	1,737	1,453	5,364
At December 31, 2020	**4,559**	**3,584**	**3,454**	**11,597**
Carrying value				
At December 31, 2020	**4,559**	**3,584**	**3,454**	**11,597**

EverGen's property and equipment consists of buildings and leasehold improvements, equipment, vehicles and other assets, and ROU assets. The Company's ROU assets include lease contracts for land and equipment. EverGen leases the land on which it operates and equipment which is used in operations. Depreciation on the acquired assets will commence on January 1, 2021.

As at December 31, 2020 there were no indicators of impairment related to the Company's property and equipment.

8. INTANGIBLE ASSETS

Cost	Brands	Customer contracts and stakeholder relationships	Total
May 13, 2020	-	-	-
Acquisition of NZWA	110	11,480	11,590
Acquisition of SSS	1,070	8,300	9,370
At December 31, 2020	**1,180**	**19,780**	**20,960**
Carrying value			
At December 31, 2020	**1,180**	**19,780**	**20,960**

All amounts in Canadian $000s, unless otherwise indicated

Depreciation on the acquired assets will commence on January 1, 2021.

9. GOODWILL

The Company's goodwill is allocated to the following CGUs:

	December 31, 2020
Net Zero Waste Abbotsford	3,420
Sea to Sky Soils	7,554
	10,974

Goodwill is tested for impairment at the segment level. There was no impairment of goodwill as at December 31, 2020.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020
Trade payables and accrued liabilities	3,043
Taxes payable	516
Other liabilities	382
	3,941

11. CONVERTIBLE NOTES

On December 16, 2020, EverGen issued convertible notes with a value of $100 in exchange for $100 funds advanced by the Founders during the period ended December 31, 2020. The convertible notes allowed the noteholders to convert the notes into 1,260,000 common shares of the Company at the election of the noteholder. On December 16, 2020, the notes were converted into common shares (note 13).

12. LEASE LIABILITIES

EverGen acquired $3,454 of lease liabilities on December 31, 2020, of which $225 is current. The Company has lease liabilities for land and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Certain of the Company's leases include purchase options, when a purchase option is expected to be exercised, it is included in the determination of the lease liability. The lease terms of the land leases include all available renewal options to the Company, as lessee, based on the reasonable expectation that these renewal terms will be exercised. EverGen does not have any significant termination options and the residual amounts are not material.

All amounts in Canadian $000s, unless otherwise indicated

13. SHAREHOLDERS' EQUITY

a) Authorized

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares.

b) Issued share capital

	Number of common shares (thousands)	Amount
At May 13, 2020	-	-
Issuance of common shares to the Founders at incorporation	-	-
Issuance of common shares to Founders on conversion of convertible notes (note 11)	1,260	600
Issuance of common shares to Additional Founders	140	700
Issuance of common shares on non-brokered private placement	1,366	6,830
Issuance of common shares in exchange for advisor services in connection with non-brokered private placement	42	210
Issuance of common shares on brokered private placement	4,617	23,053
Issuance of common shares as consideration for acquisitions (note 4)	778	3,889
Share issue costs, net of tax effect	-	(2,492)
At December 31, 2020	8,203	32,790

i. Founders issuances

On May 13, 2020, EverGen was incorporated and the three founding shareholders and directors of the Company, collectively the "Founders", subscribed to a common share each for $0.01 per common share.

On December 16, 2020, the Company:

- issued 1,260,000 common shares of EverGen to the Founders on the conversion of convertible notes for funds previously advanced by the Founders; and
- in addition, recognized $500 of share-based payment expense related to determining the fair value of these common shares issued to the Founders, see share-based incentive plans and payment plans section.

On December 16, 2020, EverGen appointed an additional director and appointed an additional officer of the Company, (together the "Additional Founders") and:

- issued 140,000 common shares to the Additional Founders at a subscription price of $0.001 per common share; and
- in addition, recognized $700 of share-based payment expense related to determining the fair value of these common shares issued to the Additional Founders, see share-based incentive plans and payment plans section.

ii. Private placement of subscription rights

On December 22, 2020, EverGen:

- completed a brokered private placement of 4,617,000 subscription receipts at $5.00 per subscription receipt for gross proceeds of $23,085;
- and issued 277,020 share warrants to advisors as consideration for services rendered in connection with this private placement, see share warrants discussion below.

On December 31, 2020, pursuant to the closing of the acquisitions of NZWA and SSS, each subscription receipt holder received one common share of the Company and the right to receive 0.10 of a common share (each such whole common share being a "share right") in the event that the Company does not complete a liquidity event by June 22, 2021, for no additional consideration. EverGen determined a fair value of $0.07 per share right, see share rights below and recognized $32 of gross proceeds in share rights and the balance of $23,053 in share capital.

iii. Private placement of common shares

On December 30, 2020, the Company:

- completed a non-brokered private placement and issued 1,366,000 common shares at $5.00 per common share for gross proceeds of $6,830;
- issued 41,976 common shares with a fair value of $5.00 per common share for advisor services rendered in connection with this private placement; and
- issued 62,976 share warrants to advisors as consideration for services rendered in connection with this private placement, see share warrants discussion below.

iv. Issued on acquisitions

On December 31, 2020, EverGen issued 444,444 common shares and 333,333 common shares as partial consideration for the purchase of all of the issued and outstanding shares of NZWA and SSS, respectively, at a fair value of $5.00 per common share.

v. Subsequent events

On January 12, 2021, EverGen completed a non-brokered private placement of 254,000 common shares at $5.00 per common share for gross proceeds of $1,270.

On January 26, 2021, the Company issued 50,000 common shares with a fair value of $5.00 per common share to an advisor and former shareholder of NZWA as consideration for services rendered in connection with the acquisition of NZWA by EverGen at December 31, 2020. The Company recognized $250 of share-based payment expense in connection with the fair value of these services rendered for the period ended December 31, 2020.

All amounts in Canadian $000s, unless otherwise indicated

c) Share issue costs

The Company recorded the following share issue costs as a reduction of equity:

For the period May 13, 2020 to December 31, 2020	
Advisor services settled by common share issuance	210
Advisor services settled by share warrant issuance	198
Broker services settled by share warrant issuance	870
Share issue costs paid in cash or accrued	1,663
Tax effect of share issue costs	(449)
Total	**2,492**

d) Share warrants

	Number of share warrants (thousands)	Amount
At May 13, 2020	-	-
Issuance of share warrants as consideration for advisor services in connection with non-brokered private placement	63	198
Issuance of share warrants as consideration for broker services in connection with brokered private placement	277	870
At December 31, 2020	**340**	**1,068**

On December 30, 2020, pursuant to the non-brokered private placement on the same day, the Company issued 62,976 share warrants to advisors as consideration for services rendered in connection with this private placement, see share capital section.

On December 31, 2020, pursuant to the brokered private placement on December 22, 2020, EverGen issued 277,020 share warrants to brokers as consideration for services rendered in connection with this private placement, see share capital section.

Each share warrant entitles the holder to subscribe to one common share at an exercise price of $5.00 per share warrant and expires two years from the date of issuance.

The estimated fair value of the share warrants was calculated at the date of grant using the Black-Scholes model and the following weighted-average assumptions:

For the period May 13, 2020 to December 31, 2020	
Share price on grant date	5.00
Fair value per share warrant	3.14
Expected volatility (percent)	126.00
Risk-free interest rate (percent)	0.22
Expected forfeiture rate (percent)	0.00
Expected life (years)	2.00
Expected dividend yield	0.00

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly-traded peer companies. Expected life is based on general option-holder behavior and the risk-free interest rate is based on Government of Canada bonds of a similar duration.

For the period ended December 31, 2020, $1,068, related to the share warrants was recognized as share issue costs and a reduction of share capital.

All amounts in Canadian $000s, unless otherwise indicated

e) Share rights

	Number of share rights (thousands)	Amount
At May 13, 2020	-	-
Issuance of share rights at brokered private placement	462	32
At December 31, 2020	**462**	**32**

Each share right entitles the holder to receive one common share of EverGen in the event that the Company does not complete a liquidity event by June 22, 2021, for no additional consideration, see share capital section. A liquidity event is defined as:

- the Company's common shares being listed on a recognized Canadian stock exchange through:
    - a bona fide initial public offering; or
    - the consummation by the Company of any transaction including, without limitation, any consolidation, amalgamation, merger, plan of arrangement, reverse take-over, qualifying transaction, change of business or any other business combination or similar transaction; or
    - the entering into of a definitive agreement with a third party that would result in a "Change of Control", which would be subject to shareholder approval; and
    - a concurrent financing to raise minimum gross proceeds of at least $10,000.

The estimated fair value of $0.07 per share rights on the brokered private placement at December 31, 2020 was calculated as follows:

- determining the maximum number of common shares issuable upon subscription and issuable upon a non-liquidating event taking place;
- applying the right to receive 0.10 of a common share for every common share subscribed factor; and
- applying management's best estimated of the probability of not completing a liquidating event by June 22, 2021 based on the Company's progress and efforts to date at December 22, 2020.

On June 22, 2021, the deadline for completing a liquidity event expired and the holders of 462 share rights became entitled to receive one common share of EverGen for each share right held or 462 common shares of EverGen in the aggregate for no additional consideration. As at July 5, 2021, these common shares have not been issued.

f) Share-based incentive programs and payment plans

EverGen recorded the following directly in equity related to share-based incentive programs and payment plans:

For the period May 13, 2020 to December 31, 2020	
Issuance of common shares in exchange for advisor services in connection with non-brokered private placement	210
Issuance of share warrants as consideration for advisor services in connection with non-brokered private placement	198
Issuance of share warrants as consideration for broker services in connection with private placement	870
Total	**1,278**

All amounts in Canadian $000s, unless otherwise indicated

EverGen recorded the following share-based payment expense in net income (loss) directly related to share-based incentive programs:

For the period May 13, 2020 to December 31, 2020	
Issuance of common shares to Founders on conversion of convertible notes	500
Issuance of common shares to Additional Founders	700
Performance share units	2
Share-based payment expense to consultant and former shareholder of NZWA as consideration for services rendered in connection with the acquisition of NZWA	250
Total	1,452

Founders and Additional Founders issuances

The Company recognized share-based payment expense of $500 related to determining the fair value of the common shares issued to the Founders upon conversion of the convertible notes (note 11), see issued share capital section. The fair value of the common shares issued was determined based on an estimate of the fair value of the Company's net assets and the underlying enterprise value created since inception consisting mainly of a negotiated indicative letter of intent to acquire all the issued and outstanding shares of NZWA and SSS. The fair value of obtaining this letter was estimated based on third-party brokerage free quotations for similar agreements and associated costs.

The Company recognized share-based payment expense of $700 related to determining the total fair value of the common shares issued to the Additional Founders, see issued share capital section. The fair value of the common shares used was determined based on the prevailing fair value per common share of the private placements and acquisitions completed in December 2020.

Performance share units

EverGen has a Performance Share Unit Plan ("PSU Plan") whereby PSUs may be granted from time to time to directors, officers, employees and contractors of the Company. The Company is entitled to issue up to 600,000 performance share units, pursuant to the PSU Plan, approved by the board of directors on December 30, 2020.

The exercise price and vesting period of PSUs granted is determined by the board of directors at the time of grant, and for each performance share unit exercised, the holder will receive one common share. Each PSU automatically terminates 10 years from the date of grant.

On December 31, 2020, the Company granted 600,000 PSUs to the officers and directors of EverGen. These PSUs were granted subject to the following performance conditions:

- Achievement of consolidated earnings before interest, tax, depreciation and amortization of at least $4,500 in a 12-month consecutive period; and
- Achievement of average renewable RNG production of at least 500 gigajoules/day over a 12-month consecutive period.

	Number of performance share units
Beginning, May 13, 2020	-
Granted	600
Outstanding at December 31, 2020	600

All amounts in Canadian $000s, unless otherwise indicated

The estimated fair value of the performance share units was calculated at the date of grant using the Black-Scholes model and the following assumptions:

For the period May 13, 2020 to December 31, 2020	
Share price on grant date	5.00
Fair value per performance share unit	3.39
Expected volatility (percent)	125.00
Risk-free interest rate (percent)	0.23
Expected forfeiture rate (percent)	0.00
Expected life (years)	2.50
Expected dividend yield	0.00

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly-traded peer companies. Expected life is based on general option-holder behavior and the risk-free interest rate is based on Government of Canada bonds of a similar duration. The outstanding PSUs vest over a period of 2.50 years and have a remaining contractual life of 10.0 years.

For the period ended December 31, 2020, $2 of share-based payment expense related to PSUs was recognized in net income (loss).

14. GENERAL AND ADMINISTRATIVE EXPENSES

For the period May 13, 2020 to December 31, 2020	
Professional and consulting fees	281
Other	47
	328

15. INCOME TAXES

Amounts recognized in net income (loss) and reconciliation

The Company recognized the following income taxes:

For the period May 13, 2020 to December 31, 2020	
Current tax	-
Deferred tax expense (recovery)	(288)
Tax expense (recovery)	**(288)**

The provision for income taxes differs from the amount which would be expected by applying the combined federal and provincial statutory income tax rates to net income (loss) before tax.

The following table reconciles income taxes calculated at the statutory rate with the recorded income taxes:

For the period May 13, 2020 to December 31, 2020	
Net income (loss) before income tax	(2,521)
Statutory income tax rate (percent)	27.0
Expected income tax expense (recovery) at statutory rate	(681)
Effect on taxes resulting from:	
Non-deductible expenses including share-based payment expenses	393
Tax expense (recovery)	(288)

All amounts in Canadian $000s, unless otherwise indicated

Deferred tax balances and tax losses carried forward

The temporary differences that give rise to the deferred income tax assets and liabilities are as follows:

	Balance at May 13, 2020	Recognized in net income (loss)	Recognized in equity	Recognized on acquisitions (note 4)	Balance at December 31, 2020
Deferred income tax liabilities					
Property and equipment	-	-	-	1,503	1,503
Intangible assets	-	-	-	5,658	5,658
Carbon emission credits	-	-	-	60	60
	-	-	-	7,221	7,221
Deferred income tax assets					
Non-capital losses	-	(379)	-	-	(379)
Share issue costs	-	90	449	-	(359)
Lease liabilities	-	-	-	932	(932)
	-	(289)	(449)	(932)	(1,670)
Deferred income tax liabilities (assets)	-	(289)	(449)	6,289	5,551

At December 31, 2020, EverGen has approximately $9,000 of tax pools available for future deduction against taxable income.

16. PER SHARE AMOUNTS

Basic net income (loss) and comprehensive net income (loss) per share

The calculation of basic net income (loss) and comprehensive net income (loss) per share for the period ended December 31, 2020 was based on the net income (loss) and comprehensive net income (loss) attributable to common shareholders of $(2,233) and the weighted-average number of common shares outstanding during the year, calculated as follows:

For the period May 13, 2020 to December 31, 2020	
Thousands of shares	
Issued common shares at May 13, 2020	-
Effect of conversion of convertible debenture features	87
Effect of Additional Founders issuance	10
Effect of private placement issuances	31
Effect of shares issued on acquisitions	3
Basic weighted-average common shares outstanding	131

The weighted average common shares have been calculated using a time weighting over the period from date of incorporation of May 13, 2020 to December 31, 2020.

Diluted net income (loss) and comprehensive net income (loss) per share

The calculation of diluted net income (loss) and comprehensive net income (loss) does not include warrants, shareholder rights or PSUs as the effect would be anti-dilutive.

The basic and diluted net income (loss) and comprehensive net income (loss) for the period ended December 31, 2020 was $(17.05).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

EverGen's financial assets consist of cash and cash equivalents, accounts receivable and carbon emission credits. The Company's financial liabilities consist of accounts payable and accrued liabilities, contingent consideration and lease liabilities.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturity of those instruments.

The fair value of carbon emission credits is initially measured at fair value using period end trading prices of same or similar carbon emission credits on the secondary market (level 2). Changes in the fair value of the carbon emission credits are recorded at FVOCI.

The fair value of lease liabilities and contingent consideration is initially measured at fair value and carried at amortized cost. The fair value of the lease liabilities and contingent consideration approximates their carrying value due to the specific non-tradeable nature of these instruments.

Financial risk management

EverGen's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect EverGen's net income (loss) or value of financial instruments. At December 31, 2020, the Company has fixed interest rates associated with its lease liabilities, thereby substantially reducing the cash flow risk of market fluctuations related to interest rates. EverGen has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in EverGen incurring a financial loss. The Company's credit risk is concentrated with a few customers, primarily municipal governments. At December 31, 2020, two customers represented 31 percent of accounts receivable and accounts receivable includes $447 of which is collateralized.

The Company, through its wholly-owned subsidiary SSS, submitted a request for proposal for the City of Vancouver's North Shore Transfer Station related to organics management. The request for proposal was for contracts expiring on June 30, 2021 and currently held by the Company for both tipping and trucking of organic waste. During the year ended December 31, 2020, these contracts accounted for 70 percent SSS's revenue. On April 16, 2021, the Company was notified that this contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee. See additional information in note 21.

Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECLs. The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. Management considers the credit worthiness of counterparties and past payment history as well as amounts past due. Management regularly monitors customers' payments and considers all amounts greater than 60 days to be past due. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

EverGen held cash and cash equivalents of $5,003 at December 31, 2020 which represents its maximum credit exposure on these assets; of this amount $319 is held in restricted term deposits. The cash is held with major financial institution counterparties and management believes credit risk is minimal.

All amounts in Canadian $000s, unless otherwise indicated

Liquidity risk

Liquidity risk is the risk that EverGen will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. EverGen achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending.

The expected timing of cash outflows relating to financial liabilities on balance sheet as at December 31, 2020 are:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Accounts payable and accrued liabilities	3,941	-	-	-	-	-	3,941
Contingent consideration	5,655	-	-	-	-	-	5,655
Lease payments [(1)]	417	417	386	375	315	3,290	5,200
Total	10,013	417	386	375	315	3,290	14,796

[(1)] *Includes principal and interest.*

The Company anticipates that its existing capital resources will be adequate to satisfy its liquidity requirements over the next 12 months.

Capital management

The capital structure of EverGen consists of the following:

	December 31, 2020
Working capital deficit	2,842
Long-term lease liabilities	3,229
Shareholders' equity	31,909
	37,980

EverGen's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements. The Company is not subject to external restrictions on its capital structure. The Company expects to eliminate the working capital deficit with the gross proceeds of equity and debt financings completed subsequent to December 31, 2020.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. EverGen considers its capital structure to include working capital, lease liabilities and shareholders' equity. Management monitors the capital structure and results of operations on a routine basis including the measurement and reporting of key metrics including earnings before interest, tax, depreciation and amortization ("EBITDA") and adjusted EBITDA which is EBITDA adjusted for share-based payment expense and unusual or non-recurring items. Management considers EBITDA and adjusted EBITDA to be key metrics in analyzing the operational performance of EverGen and the ability to generate cash flow. To maintain or adjust the capital structure, the Company may issue additional debt, issue new shares and adjust capital and operating expenditures to manage its current and projected debt levels.

All amounts in Canadian $000s, unless otherwise indicated

18. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

The value of compensation and other fees paid to board of directors and members of executive management of EverGen is as follows:

For the period May 13, 2020 to December 31, 2020	
Share-based payment expense	1,202
Consulting fees included in transaction costs	256
	1,458

The Company has the following amounts included in accounts receivable which are owing from related parties:

	December 31, 2020
Net Zero Waste East Gate Ltd.	26
	26

EverGen has the following amounts included in accounts payable and accrued liabilities which are owing to related parties:

	December 31, 2020
1210366 BC Ltd.[1]	174
Dekany Consulting Inc.	256
Other	4
	434

[2] *Subsequent to December 31, 2020, 1210366 BC Ltd. changed its name Net Zero Waste Infrastructure Corp.*

19. SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital, excluding the non-cash working capital acquired on acquisitions, from the statement of financial position to the statements of cash flows:

For the period May 13, 2020 to December 31, 2020	
Net changes in non-cash working capital:	
Prepaid expenses and other assets	(45)
Accounts payable and accrued liabilities	1,292
	1,247
Net changes in non-cash working capital related to:	
Operating activities	1,023
Financing activities	224
	1,247

During the period ended December 31, 2020, EverGen did not pay any interest or taxes.

All amounts in Canadian $000s, unless otherwise indicated

The following table reconciles the movement in cash flows arising from financing activities:

For the period May 13, 2020 to December 31, 2020	
Lease liabilities	
Balance, beginning of period	-
Liabilities acquired on acquisition	3,454
Balance, end of period	3,454
Share capital	
Balance, beginning of period	-
Proceeds from issuances and subscriptions	29,883
Funds advanced by Founders and exchanged for convertible notes and subsequently converted to common shares	100
Issuance costs	(1,663)
Non-cash items	
Share-based payments of common shares to Founders on conversion of convertible notes	500
Share-based payments of common shares issued to Additional Founders	700
Common shares issued in exchange for advisor services	210
Issued as consideration on acquisitions	3,889
Non-cash issuance costs	(1,278)
Tax effect of issuance costs	449
Balance, end of period	32,790
Share rights	
Balance, beginning of period	-
Proceeds from issuances and subscriptions	32
Balance, end of period	32
Convertible notes	
Balance, beginning of period	-
Issuance of convertible notes in exchange for Founders' funds advanced	100
Non-cash items	
Conversion to common shares	(100)
Balance, end of period	-

All amounts in Canadian $000s, unless otherwise indicated

20.COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

At December 31, 2020, EverGen had the following additional contractual obligations and commitments as follows:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Service contracts [1]	12	12	5	5	4	-	38
Total	12	12	5	5	4	-	38

[1] *Service contracts for leased equipment.*

In addition to the above amounts, the Company has annual commitments related to certain of its land leases for utilities and property taxes that fluctuate with usage and assessments, respectively.

Uncertainty over income tax treatments

EverGen believes that the accruals for tax liabilities are adequate for all open tax years based on the assessment of many factors, including interpretations of tax law and prior experience.

21. SUBSEQUENT EVENTS

On January 12, 2021, EverGen completed a non-brokered private placement of 254,000 common shares for gross proceeds of $1,270.

On January 26, 2021, EverGen completed a non-brokered private placement of 5,000 common shares for gross proceeds of $25 and on February 23, 2021 completed an additional non-brokered private placement of 5,000 common shares for gross proceeds of $25.

On March 15, 2021, Jennifer Schilling, was appointed Chief Financial Officer of EverGen.

On March 17, 2021, EverGen entered into a credit facility arrangement, providing for a senior secured term loan up of to $7,000, repayable over a term of three years bearing interest at a rate of Canadian Variable Rate plus 3.0 percent per annum. As at July 5, 2021, $6,808 was drawn.

The credit facility agreement is subject to the following covenants:

- Maintain a consolidated working capital ratio equal to or greater than 1.20:1 at all times;
- Maintain a consolidated "fixed charge coverage ratio" as defined in the agreement equal to or greater than 1.20:1 at all times, tested quarterly on a rolling four quarters basis;
- Maintain a consolidated "total funded debt to EBITDA ratio" as defined in the agreement equal to or less 3.00 at all times, tested quarterly on a rolling four quarters basis; and
- Other operational and financial covenants including but not limited to the Company's ability to pay dividends, incur additional debt, directly or indirectly grant loans or make investments and other such matters.

On March 18, 2021, the Company completed a special warrant financing of 1,059,325 special warrants issued pursuant to prospectus exemptions under applicable securities legislation in certain provinces of Canada (and in jurisdictions outside of Canada in compliance with applicable laws therein) on a private placement basis at a price of $8.00 per special warrant, for aggregate proceeds of $8,475.

In accordance with the holdback provisions and escrow arrangements as attached to the NZWA and SSS share purchase agreements, EverGen paid $5,889 to the escrow agent in trust subsequent to December 31, 2020: (i) 50% of the holdback on February 24, 2021; and (ii) the remaining 50% of the holdback on March 18, 2021. The holdback provisions include standard indemnity provisions and performance driven holdbacks.

On March 18, 2021, the Company adopted an equity incentive plan which provides for the granting of options, restricted share units and deferred share units. In addition, on March 18, 2021, the Company granted (i) 195,000 Options to officers, an employee and consultants of the Company; (ii) 17,500 restricted share units to an officer and consultants of the Company and (iii) 27,500 deferred share units to its directors.

The Company, through its wholly-owned subsidiary SSS, submitted a request for proposal, specifically No. 20-016, for the City of Vancouver's North Shore Transfer Station five-year contract related to organics management. The request for proposal was for contracts expiring June 30, 2021, currently held by SSS for both tipping and trucking of organic waste. During the three months ended March 31, 2021, these contracts accounted for 31 percent of EverGen's revenue (year ended December 31, 2020, these contracts accounted for 70 percent of SSS's revenue). On April 16, 2021, the Company was notified that this material contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee. Contractual provisions are in place to safeguard EverGen in the event that this contract was not renewed or otherwise offset by new contracts. Under compensation provisions in EverGen's purchase agreement with the previous shareholders of SSS, this request for proposal outcome may prompt (i) the release to EverGen of $2,000 of performance driven holdbacks paid to the escrow agent in trust subsequent to December 31, 2020 and (ii) the release of encumbrances on the $319 of restricted cash held in restricted term deposits as well as the $447 collateralized accounts receivable at December 31, 2020, respectively, that are also subject to holdback performance obligations and escrow arrangements. In addition, this outcome may also prompt the derecognition of contingent consideration included in the purchase price at December 31, 2020 related to performance obligations.

Effective April 16, 2021, EverGen acquired all of the issued and outstanding shares of Fraser Valley Biogas Ltd. ("FVB"), pursuant to a share purchase agreement dated April 16, 2021 among EverGen and Heppells Potato Corporation and Pela Holdings Ltd. The Company paid an aggregate amount of $11,500 comprised of $10,500 cash consideration and issued 125,000 common shares valued at $8.00 per share. FVB owns and operates a biogas facility in Abbotsford, British Columbia which sells RNG under a long-term contract with Fortis BC. EverGen used a portion of the net proceeds from the March 18, 2021 Special Warrant Financing and funds from the March 17, 2021 credit facility to fund the acquisition of FVB.

On April 27, 2021, EverGen completed a non-brokered private placement of 111,111 common shares at a price of $9.00 per common share for gross proceeds of $1,000.

On April 28, 2021, the Company filed a preliminary prospectus with the intention of completing an initial public offering.

On April 29, 2021, EverGen's wholly owned subsidiary Net Zero Waste Abbotsford Inc. entered into a 20-year offtake agreement with FortisBC Energy Inc. (Fortis BC). Under the agreement, FortisBC will purchase up to 173,000 gigajoules of RNG annually for injection into its natural gas system, upon completion of an anaerobic digester project at EverGen's existing Net Zero Waste Abbotsford composting and organic processing facility in Abbotsford, British Columbia. Once approved by the British Columbia Utilities Commission and other regulatory agencies, the project would convert municipal and commercial organic waste into energy to meet the needs of approximately 1,900 residential homes.

On May 7, 2021, the Company received $375 of the $447 portion of the Organic Infrastructure Program grant recorded in accounts receivable at March 31, 2021. The payment received is held as restricted cash.

On June 22, 2021, the deadline for completing a liquidity event expired and the holders of 461,699 share rights became entitled to receive one common share of EverGen for each share right held or 461,699 common shares of EverGen in the aggregate for no additional consideration. As at July 5, 2021, these common shares have not been issued.

On June 29, 2021, the Company granted 100,000 restricted share units to an officer of the Company.

Independent auditor's report

To the Board of Directors of Net Zero Waste Abbotsford Inc.

Our opinion

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

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019 and January 1, 2019;
- the statements of net income and comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of shareholders' equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Other information

Management is responsible for the other information. The other information comprises the 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
July 5, 2021

NET ZERO WASTE ABBOTSFORD INC.

STATEMENTS OF FINANCIAL POSITION

As at
(Canadian $000s)

	Notes	December 31, 2020	December 31, 2019	January 1, 2019
Current assets				
Cash		294	27	194
Accounts receivable	4	413	413	475
Prepaid expenses and other		67	63	63
Inventories		69	39	23
		843	542	755
Property and equipment	5	6,123	5,273	5,216
Total assets		6,966	5,815	5,971
Current liabilities				
Bank indebtedness		-	42	-
Accounts payable and accrued liabilities	6	1,008	464	405
Lease liabilities and loans	7	133	1,123	1,256
Preferred shares	8	-	420	970
		1,141	2,049	2,631
Lease liabilities and loans	7	1,868	1,874	2,253
Deferred income taxes	14	224	211	152
Total liabilities		3,233	4,134	5,036
Shareholders' equity				
Share capital	9	1	1	1
Contribution from parent	9	958	-	-
Retained earnings	9	2,774	1,680	934
Total shareholders' equity		3,733	1,681	935
Total liabilities and shareholders' equity		6,966	5,815	5,971

The notes are an integral part of these financial statements.

Commitments and contingencies 19

On behalf of the board of directors:

Signed *"Chase Edgelow"*

Chase Edgelow, Director

Signed *"Mischa Zajtmann"*

Mischa Zajtmann, Director

NET ZERO WASTE ABBOTSFORD INC.

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31,
(Canadian $000s, except per share amounts)

	Notes	2020	2019
Revenue	10	3,919	3,414
Cost of goods sold		933	1,360
Gross profit		2,986	2,054
Operating costs		737	389
General and administrative expenses	11	315	281
Depreciation	5	408	319
Finance costs (income), net	12	195	154
Other (income) expense, net	13	(129)	(36)
Net income before taxes		1,460	947
Tax expense	14	366	201
Net income and comprehensive income		1,094	746
Earnings per share – basic and diluted	15	$ 1,094.00	$ 746.00

The notes are an integral part of these financial statements.

NET ZERO WASTE ABBOTSFORD INC.

STATEMENTS OF SHAREDHOLDERS' EQUITY

(Canadian $000's)

	Notes	2020	2019
Share capital			
Balance, January 1	9	1	1
Balance, December 31		1	1
Contributed from parent			
Balance, January 1		-	-
Capital contribution from parent	9	958	-
Balance, December 31		958	-
Retained earnings			
Balance, January 1		1,680	934
Total comprehensive income		1,094	746
Balance, December 31		2,774	1,680
Total shareholders' equity		3,733	1,681

The notes are an integral part of these financial statements.

NET ZERO WASTE ABBOTSFORD INC.

STATEMENTS OF CASHFLOWS

For the years ended December 31
(Canadian $000s)

	Notes	2020	2019
Operating activities			
Net income		1,094	746
Items not affecting cash:			
Depreciation	5	408	319
Other (income) expense, net	13	(20)	-
Deferred income tax expense (recovery)	14	13	59
Changes in non-cash working capital	18	510	105
Net cash flows from operating activities		**2,005**	**1,229**
Investing activities			
Expenditures on property and equipment	5	(633)	(282)
Net cash flows (used in) investing activities		**(633)**	**(282)**
Financing activities			
Bank indebtedness		(42)	42
Repayment of principal portion of lease liabilities	7	(132)	(178)
Exercise of lease purchase option	7	(50)	-
Proceeds from loans received	7	560	-
Repayment of loans	7	(1,979)	(428)
Preferred shares redeemed	8	(420)	(550)
Capital contribution	9	958	-
Net cash flows from financing activities		**(1,105)**	**(1,114)**
Change in cash (bank indebtedness)		**267**	**(167)**
Cash (bank indebtedness), beginning of year		27	194
Cash (bank indebtedness), end of year		**294**	**27**

The notes are an integral part of these financial statements.

1. REPORTING ENTITY

Net Zero Waste Abbotsford Inc. ("NZWA") operates a Gore Cover™ organic waste management facility in British Columbia. The Company processes organics and yard waste for a contracted "tipping" fee and produces high-quality organic compost and soils for farmers, gardeners and developers as part of its outbound business. The Company was incorporated under the *British Columbia Business Corporations Act* on August 24, 2012.

The Company's principal place of business is located at #600 - 1111 W Hastings Street Vancouver, British Columbia and its registered office is located at 1200 Waterfront Centre, 200 Burrard Street Vancouver, British Columbia.

On December 31, 2020, the Company completed a plan of arrangement (the "Arrangement") with EverGen Infrastructure Inc. ("EverGen") and Sea to Sky Soils and Composting Inc. ("SSS") whereby all the issued and outstanding shares of NZWA and all the issued and outstanding shares of SSS were acquired by EverGen. These transactions were accounted for as business combinations.

The Company's revenue, costs of goods sold and certain operating costs are impacted by seasonal weather variation and the related fluctuations in volumes processed.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1, "*First time adoption of International Financial Reporting Standards*", ("IFRS 1") has been applied.

The policies applied in these financial statements are based on IFRS issued, effective and outstanding as of December 31, 2020. These financial statements were approved and authorized for issuance by NZWA's board of directors on July 5, 2021.

b) Basis of measurement, functional and presentation currency

These financial statements are presented in Canadian dollars, the Company's functional currency, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, except as detailed in the Company's accounting policies disclosed in note 3.

c) Use of estimates, judgements and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates and judgments used in the preparation of these financial statements are outlined below.

Fair value of property and equipment

In accordance with IFRS, management elected to record the carrying amount of property and equipment as deemed cost at fair value as at the date of transition to IFRS. The estimation of fair value involves significant estimates and judgements related to useful life, the general condition of property and equipment, patterns of normal wear and tear and the rate of technological change of the underlying assets.

Impairment

Property and equipment assets are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows and that are largely independent of the cash inflows of other assets or groups of assets. These assets are allocated into a cash-generating unit ("CGU"). The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the performance of the assets.

The recoverable amount of a CGU is determined as the greater of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). These calculations require the use of estimates applied by management regarding forecasted activity levels, expected future results and discount rates among others. These estimates are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGU.

Depreciation

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change or as technological advancements are made.

Lease liabilities and right-of-use assets

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. The measurement of lease liabilities and right-of-use ("ROU") assets incorporates an estimate of lease terms and discount rates. The term of a lease is determined as the non-cancellable period of a lease and includes periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In considering the option to extend a lease, the Company considers all the relevant facts and circumstances that create an economic incentive to exercise or not exercise the option. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment. Where the rate implicit in a lease is not readily determinable, the discount rate is estimated using a discount rate similar to the Company's incremental borrowing rate to purchase an asset of similar value, with similar payment terms and security.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable profits.

d) Recent developments and impact on estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic due to Novel Coronavirus ("COVID-19"). COVID-19 has significantly impacted the global economy. The full extent and impact of the COVID-19 pandemic to the Company's operations and future financial performance is unknown at this time and depends on a number of future developments which are uncertain and unpredictable. These future developments include the duration and spread of COVID-19, its continued impact on capital and financial markets and new information that may emerge concerning the severity of the virus. These uncertainties may continue beyond the determination of how to contain the virus and treatment of those impacted. The ongoing pandemic presents uncertainty and risk to the Company, its performance, and the estimates and assumptions used by management to prepare its financial results.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company adopted IFRS effective January 1, 2019. IFRS 1, which governs the first-time adoption of IFRS, in general requires accounting policies under IFRS to be applied retrospectively to determine the opening balance sheet of the Company as of the transition date and allows certain exemptions which the Company has elected to apply. Those elections considered significant to the financial statements of the Company include the decision to record the carrying amount of property and equipment as deemed cost at fair value as of the date of transition.

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements and for the purposes of preparing the opening IFRS balance sheet at January 1, 2019.

a) Revenue recognition

Revenue is generated primarily from tipping fees charged to customers upon receipt of organic waste at the Company's organic waste facility and through the sale of organic compost and soil. Revenues are influenced by various factors such as the type and weight or volume of waste materials disposed of at the Company's facility.

Recognition of revenue from tipping fees occurs based on individual contractual terms and when indicators of the transfer of control exist, which is generally satisfied when the services are completed in accordance with the contract specifications. Revenue earned from the rendering of services and earned at a point in time includes tipping fees on organic waste disposal.

Revenue from the sale of organic compost and soil is recognized when transfer of control exists, primarily at the transfer of finished goods inventory to the customer.

The Company's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money. The Company does not disclose information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

Finance income is recognized as it accrues using the effective interest rate method.

b) Cost of goods sold

Cost of goods sold is comprised of direct and indirect costs, including handling, labour, fuel charges and hauling costs where required, associated with organic feedstock collection and the preparation and the process of screening, blending and curing the feedstock for conversion into saleable organic compost and soil.

c) Operating costs

Operating costs are comprised of repairs and maintenance, utilities, licenses and permits and property taxes.

d) General and administrative expenses

General and administrative expenses consist of labour and related benefits costs, which includes salaries, bonuses and other related payroll benefits; professional fees, which includes fees for consulting, legal, audit and tax services; and other general and administrative expenses.

e) Government assistance and other grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Grants related to assets are recorded as deferred income and amortized into other income over the useful life of the underlying asset. Claims under government grant programs related to the recovery of expenses are recorded as a reduction of the eligible expenses. Government grants in which there are no corresponding assets or expenses are recorded in other income in net income (loss) in the period in which the reasonable assurance and conditions of grant have been met.

f) Finance costs

Finance costs consists primarily of the interest component of lease payments and interest recognized on loans which is expensed as incurred.

g) Inventory

Inventory consists of raw materials, work in progress, and finished goods. Inventory consists of organic and green waste products ("organic feedstock"), compost and soil which is at various stages of decomposition ("work-in-progress"), and various grades of saleable branded compost and soil ("finished goods").

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle and includes expenditures incurred in acquiring the raw materials, processing or conversion costs, and other costs incurred in producing saleable compost and soil. In the case of work in progress, cost includes an appropriate share of these costs based on its stage of completion. Net realizable value is the estimated selling price less applicable selling costs.

h) Property and equipment

IFRS 1 allows the recognition of property and equipment in the IFRS opening balance sheet at deemed cost as an alternative to the cost prescribed in International Accounting Standard 16. "*Property, plant and equipment*". In accordance with IFRS 1, the Company has elected to record the carrying amount of property and equipment as deemed cost at fair value as of the date of transition. An independent valuator was involved in determining fair value. Subsequent to January 1, 2019, property and equipment has been measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable. Repairs and maintenance are expensed as incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Buildings, leasehold improvements, equipment, vehicles and other are depreciated on a straight-line basis over their estimated useful economic lives. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The following useful lives are utilized for determining depreciation:

Asset class	
Buildings and leasehold improvements	15 – 25 years
Equipment, vehicles and other	10 – 15 years
Right-of-use assets	2 – 19 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

i) Leases

The Company assesses whether a contract is a lease; based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company’s incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability; initial direct costs incurred; and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset; less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

The ROU asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

j) Impairment

Property and equipment is reviewed for indicators of impairment at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include but are not limited to changes in the Company's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

k) Preferred shares

Preferred shares that are mandatorily redeemable or redeemable at the option of the shareholder and which the Company is obligated to pay a specified dividend are accounted for as a liability. Non-discretionary dividends are recognized as finance cost in net income (loss) as accrued.

l) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

m) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

o) Per share amounts

Basic income and diluted income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company has no dilutive instruments.

p) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the transaction dates. Foreign exchange gains and losses are recorded in net income (loss) in the period in which they occur.

q) Financial instruments

The Company’s financial assets consist of cash and accounts receivable. The Company’s financial liabilities consist of accounts payable and accrued liabilities, preferred shares, lease liabilities and loans.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognized at fair value on initial recognition less transaction costs directly attributable to the acquisition or issuance of the financial instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired. Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss (“FVTPL”) on the basis of the Company’s business model and contractual cash flows of the financial asset. Financial liabilities are subsequently measured at amortized cost or FVTPL. Amortized cost is calculated by taking into account any issue costs. Interest expense is recognized in net income (loss).

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECL. The Company's historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management's assumptions are updated and adjusted at each reporting date. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

r) Related party transactions

Related party transactions are accounted for at the exchange amount which is the agreed upon amount between the parties.

s) Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements include:

- Amendments to IFRS 9 "*Financial Instruments: Recognition and Measurement*", IFRS 7 *"Financial Instruments: Disclosures"*, IFRS 4 "*Insurance Contracts*" and IFRS 16 *"Leases"* for the IASB publication "Interest Rate Benchmark Reform", which provides clarity on the changes after the reform of an interest rate benchmark. The amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform.

All amounts in Canadian $000s, unless otherwise indicated

- International Accounting Standard 1 *"Presentation of Financial Statements"*, ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

The Company intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

4. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019	January 1, 2019
Trade receivables	415	419	478
Credit loss allowance	(2)	(6)	(3)
	413	413	475

5. PROPERTY AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Total
January 1, 2019	1,994	1,580	1,642	5,216
Additions	146	136	94	376
At December 31, 2019	2,140	1,716	1,736	5,592
Additions	476	157	625	1,258
Exercise of lease purchase option	-	266	(266)	-
At December 31, 2020	**2,616**	**2,139**	**2,095**	**6,850**
Accumulated depreciation				
January 1, 2019	-	-	-	-
Depreciation	103	114	102	319
At December 31, 2019	103	114	102	319
Depreciation	127	130	151	408
Exercise of lease purchase option	-	49	(49)	-
At December 31, 2020	**230**	**293**	**204**	**727**
Carrying value				
At January 1, 2019	1,994	1,580	1,642	5,216
At December 31, 2019	2,037	1,602	1,634	5,273
At December 31, 2020	**2,386**	**1,846**	**1,891**	**6,123**

During the year ended December 31, 2020, the Company received insurance proceeds of $109 for the disposal of an asset with a carrying value of $nil. The full amount of insurance proceeds has been recorded in other income (note 13).

The Company's ROU assets include lease contracts for land on which it operates and equipment which is used in operations.

All amounts in Canadian $000s, unless otherwise indicated

As at December 31, 2020 and December 31, 2019, there were no indicators of impairment related to the Company's property and equipment.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019	January 1, 2019
Trade payables and accrued liabilities	483	231	232
Corporate taxes payable	369	143	69
Other liabilities	156	90	104
	1,008	464	405

At December 31, 2020, trade payables and accrued liabilities includes $300 (2019 – $nil) for an accrual related to a regulatory compliance related matter.

7. LEASE LIABILITIES AND LOANS

The Company has lease liabilities and loans consisting of the following:

	December 31, 2020	December 31, 2019	January 1, 2019
Lease liabilities	2,001	1,558	1,642
Loans	-	1,439	1,867
	2,001	2,997	3,509

Lease liabilities

	Total
As at January 1, 2019	1,642
Additions	94
Interest expense (note 12)	89
Lease payments	(267)
As at December 31, 2019	1,558
Additions	625
Interest expense (note 12)	113
Lease payments	(245)
Exercise of lease purchase option	(50)
As at December 31, 2020	2,001
Less current portion	(133)
Long-term portion	1,868

The Company has lease liabilities for land and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Certain of the Company's leases include purchase options. When a purchase option is expected to be exercised, it is included in the determination of the lease liability. The lease terms of the land leases include all available renewal options to the Company, as lessee, based on the reasonable expectation that these renewal terms will be exercised. The Company does not have any significant termination options and the residual amounts are not material.

All amounts in Canadian $000s, unless otherwise indicated

The Company has variable lease payments related to property taxes for land contracts. During the year ended December 31, 2020, the Company expensed variable lease payments of $12 (2019 - $16). The Company has no short-term leases.

Loans

Cost	Loans payable to third parties	Loans payable to related parties	Total
January 1, 2019	1,217	650	1,867
Principal repayment	(428)	-	(428)
At December 31, 2019	789	650	1,439
Advances	560	-	560
Principal repayment	(1,329)	(650)	(1,979)
Loan forgiveness (note 13)	(20)	-	(20)
At December 31, 2020	-	-	-

a) Loans payable to third parties

The Company's loan borrowings relate to the following facilities:

i. Term loan facility

As at January 1, 2019, the Company had $1,217 outstanding on a term loan facility with an original loan value of $1,320. The term loan facility bears interest at prime plus 2.25 percent per annum, had a term of three years and was subject to various operational and financial covenants. The term loan facility was repaid in full as at December 31, 2020. The facility was cancelled subsequent to December 31, 2020.

ii. Credit facility

The Company had a credit facility of $100 to be used for working capital and general purposes. The credit facility bears interest at prime plus 1.45 percent and is due on demand. No amounts were drawn under this facility as at and during the year ended December 31, 2020 (2019 - $nil). The facility was cancelled subsequent to December 31, 2020.

iii. Agriculture loan facility

During the year ended December 31, 2020, the Company received gross proceeds of $500 under an agriculture loan facility which bears interest at prime plus 1.45 percent and is due on demand. The term loan facility was repaid in full as at December 31, 2020. The facility was cancelled subsequent to December 31, 2020.

iv. Other

During the year ended December 31, 2020, the Company received $60 related to a third-party loan, of which $20 was forgiven if the amount was repaid prior to December 31, 2022. At December 31, 2020, the amounts were repaid and the forgivable portion included in other income (note 13).

b) Loans payable to related parties

The Company has unsecured non-interest-bearing loans payable to related parties. The non-interest-bearing loans have no fixed repayment terms and are due on demand. The non-interest-bearing loans were repaid during the year ended December 31, 2020.

All amounts in Canadian $000s, unless otherwise indicated

8. PREFERRED SHARES

A summary of the preferred share liability is as follows:

	Number of shares (thousands)	Amount
As at January 1, 2019	970	970
Redemption of preferred shares	(550)	(550)
As at December 31, 2019	420	420
Redemption of preferred shares	(420)	(420)
As at December 31, 2020	-	-

The Company had issued redeemable preferred shares with gross proceeds of $1.00 per preferred share. The preferred shares are redeemable and due on demand. During the year ended December 31, 2020, 420 thousand preferred shares were redeemed for gross proceeds of $420 (2019 – 550 thousand preferred shares for gross proceeds of $550).

9. SHAREHOLDERS' EQUITY

Authorized share capital

The Company has authorized an unlimited number of common shares and an unlimited number of preferred shares.

As at December 31, 2020, December 31, 2019 and January 1, 2019, the Company had 1,000 common shares outstanding with a carrying value of $1.

On December 31, 2020, the issued and outstanding shares were acquired by EverGen.

Capital contribution

During the year ended December 31, 2020, the Company received a capital contribution of $958 from EverGen which was used to repay outstanding loans (note 7).

10. REVENUE

For the years ended December 31,	2020	2019
Tipping fees	3,596	3,153
Organic compost and soil sales	294	256
Other	29	5
	3,919	3,414

Tipping fee income includes the disposal of organic waste.

All amounts in Canadian $000s, unless otherwise indicated

11. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	2020	2019
Salaries and wages	165	151
Professional and consulting fees	114	94
Other	36	36
	315	281

12. FINANCE COSTS (INCOME), NET

For the years ended December 31,	2020	2019
Interest expense on lease liabilities (note 7)	113	89
Interest expense on loans (note 7)	59	58
Other	23	10
Interest income	-	(3)
	195	154

13. OTHER INCOME (EXPENSE), NET

For the years ended December 31,	2020	2019
Insurance proceeds (note 5)	109	-
Other	20	36
	129	36

14. INCOME TAXES

Amounts recognized in net income and reconciliation

The Company recognized the following income taxes:

For the years ended December 31,	2020	2019
Current tax expense	353	142
Deferred tax expense	13	59
Tax expense	366	201

The provision for income taxes differs from the amount which would be expected by applying the combined federal and provincial statutory income tax rates to net income before tax.

All amounts in Canadian $000s, unless otherwise indicated

The following table reconciles income taxes calculated at the statutory rate with the recorded income taxes:

For the years ended December 31,	2020	2019
Net income before income tax	1,460	947
Statutory income tax rate (percent)	27.0	27.0
Expected income tax expense (recovery) at statutory rate	394	256
Effect on taxes resulting from:		
Non-deductible expenses	7	8
Other	(35)	(63)
Tax expense	**366**	**201**

Deferred tax balances and tax losses carried forward

The temporary differences that give rise to the deferred income tax assets and liabilities are as follows:

	Balance at December 31, 2019	Recognized in net income	Balance at December 31, 2020
Deferred income tax liabilities			
Property and equipment	633	132	765
	633	132	765
Deferred income tax assets			
Lease liabilities	(421)	(119)	(540)
Other	(1)	-	(1)
	(422)	(119)	(541)
Deferred income tax liabilities	**211**	**13**	**224**

	Balance at January 1, 2019	Recognized in net income	Balance at December 31, 2019
Deferred income tax liabilities			
Property and equipment	596	37	633
	596	37	633
Deferred income tax assets			
Lease liabilities	(444)	23	(421)
Other	-	(1)	(1)
	(444)	22	(422)
Deferred income tax liabilities	**152**	**59**	**211**

At December 31, 2020 the Company has approximately $3,300 of tax pools available for future deduction against taxable income (December 31, 2019 - $2,900).

15. PER SHARE AMOUNTS

Basic and diluted net income and comprehensive net income per share

The calculation of basic and diluted net income and comprehensive net income per share for the year ended December 31, 2020 was based on the net income and comprehensive net income attributable to common shareholders of $1,094 (2019 - $746) and the weighted-average number of common shares outstanding during the year. The weighted-average number of common shares outstanding was 1,000 common shares in both the year ended December 31, 2020 and the year ended December 31, 2019. Basic and diluted net income and comprehensive net income for the year ended December 31, 2020 was $1,094.00 per share (2019 - $746.00 per share).

The Company had no dilutive instruments outstanding for the years ended December 31, 2020 and December 31, 2019.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial assets consist of cash and accounts receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities, preferred shares, lease liabilities and loans.

Cash, accounts receivable and accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturity of those instruments.

Lease liabilities and loans are initially measured at fair value and carried at amortized cost. The fair value of the lease liabilities and loans payable to third parties approximates their carrying value due to the specific non-tradeable nature of these instruments. The estimated fair value of the loans payable to related parties approximates the carrying value due to no fixed terms of repayment and the demand feature of the loans.

Redeemable preferred shares are initially measured at fair value and carried at amortized cost. The estimated fair value of the redeemable preferred shares approximates the carrying value due to no fixed terms of redemption and the ability of the holder to demand redemption.

Financial risk management

The Company's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect the Company's net income (loss) or value of financial instruments. At December 31, 2020, the Company has fixed interest rates associated with its lease liabilities, thereby substantially reducing the cash flow risk of market fluctuations related to interest rates. The Company has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company's credit risk is concentrated with a few customers, primarily municipal governments. During the year ended December 31, 2020, the Company had three customers who represented 46 percent of revenue (2019 – three customers represented 83 percent). At December

All amounts in Canadian $000s, unless otherwise indicated

31, 2020, four customers represented 81 percent of accounts receivable (December 31, 2019 – two customers represented 76 percent of accounts receivable).

Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECLs. The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. Management considers the credit worthiness of counterparties and past payment history as well as amounts past due. Management regularly monitors customers' payments and considers all amounts greater than 60 days to be past due. At December 31, 2020, approximately 26 percent of trade receivables were past due but not considered impaired (December 31, 2019 – 10 percent). The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements. There have been no changes in the assumptions used to determine the provision for ECL during the year ended December 31, 2020.

The Company held cash of $294 at December 31, 2020 (December 31, 2019 - $27) which represents its maximum credit exposure on these assets. The cash is held with major financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending.

The expected timing of cash outflows relating to financial liabilities on balance sheet as at December 31, 2020 are:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Accounts payable and accrued liabilities	1,008	-	-	-	-	-	1,008
Lease payments [1]	244	244	213	211	194	1,920	3,026
Total	1,252	244	213	211	194	1,920	4,034

[1] *Includes principal and interest.*

The Company anticipates that its existing capital resources will be adequate to satisfy its liquidity requirements over the next 12 months.

All amounts in Canadian $000s, unless otherwise indicated

Capital management

The capital structure of the Company consists of the following:

	December 31, 2020	December 31, 2019	January 1, 2019
Lease liabilities and loans	2,001	2,996	3,510
Shareholders' equity	3,733	1,681	935
	5,734	4,677	4,445

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements. The Company is not subject to external restrictions on its capital structure.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include lease liabilities, loans and shareholders' equity. Management monitors the capital structure and results of operations on a routine basis including the measurement and reporting of key metrics including earnings before interest, tax, depreciation and amortization ("EBITDA") and adjusted EBITDA which is EBITDA adjusted for unusual or non-recurring items. Management considers EBITDA to be a key metric in analyzing the operational performance of the Company and the ability to generate cash flow. To maintain or adjust the capital structure, the Company may issue additional debt, issue new shares and adjust capital and operating expenditures to manage its current and projected debt levels.

17. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

The value of compensation and other fees paid to board of directors and members of executive management of the Company is as follows:

For the years ended December 31,	2020	2019
Salaries and benefits	164	151
	164	151

Revenue and expenses

The exchange value of revenue earned from and expenses paid to related parties of the Company is as follows:

For the years ended December 31,	2020	2019
Revenue	29	-
Expenses	22	-

Revenue earned from related parties during the year ended December 31, 2020 includes $29 for rental of equipment (2019 - $nil) to an entity in which a member of NZWA's key management personnel is a shareholder and director.

Expenses paid to related parties during the year ended December 31, 2020 include $22 for equipment rentals (2019 - $nil) which are included in operating costs. The entity is related to NZWA due to a member of NZWA's key management personnel being a director and controlling shareholder of the vendor providing the equipment rentals. During the year ended December 31, 2020, NZWA was reimbursed by an entity under common ownership for general and administrative expenses incurred by NZWA of $36 (2019 - $26).

All amounts in Canadian $000s, unless otherwise indicated

The Company has the following amounts included in accounts receivable which are owing from related parties:

	December 31, 2020	December 31, 2019	January 1, 2019
Net Zero Waste East Gate Ltd.	26	-	-
Sea to Sky Soils and Composting Inc.	9	27	79
	35	27	79

18. SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital from the statements of financial position to the statements of cash flows:

For the years ended December 31,	2020	2019
Net changes in non-cash working capital:		
Accounts receivable	-	62
Prepaid expenses and other	(4)	-
Inventories	(30)	(16)
Accounts payable and accrued liabilities	544	59
	510	105
Interest paid	147	172
Taxes paid	69	127

All amounts in Canadian $000s, unless otherwise indicated

The following table reconciles the movement in cash flows arising from financing activities:

For the years ended December 31,	2020	2019
Lease liabilities		
Balance, beginning of year	1,558	1,642
Additions	625	94
Principal repayments	(132)	(178)
Exercise of lease purchase option	(50)	-
Balance, end of year	**2,001**	**1,558**
Loans		
Balance, beginning of year	1,439	1,867
Advances	560	-
Principal repayments	(1,979)	(428)
Non-cash loan forgiveness	(20)	-
Balance, end of year	**-**	**1,439**
Preferred shares		
Balance, beginning of year	420	970
Redemption of preferred shares	(420)	(550)
Balance, end of year	**-**	**420**
Contribution from parent		
Balance, beginning of year	-	-
Cash contribution	958	-
Balance, end of year	**958**	**-**

19. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

At December 31, 2020, the Company had the following additional contractual obligations and commitments as follows:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Service contracts [1]	12	12	5	5	4	-	38
Total	**12**	**12**	**5**	**5**	**4**	**-**	**38**

[1] *Service contracts for leased equipment.*

In addition to the above amounts, the Company has annual commitments related to its land leases for utilities and property taxes that fluctuate with usage and assessments, respectively. During the year ended December 31, 2020, the Company recognized $14 in operating costs for utilities and property taxes related these annual commitments (2019 - $18).

Uncertainty over income tax treatments

The Company believes that the accruals for tax liabilities are adequate for all open tax years based on the assessment of many factors, including interpretations of tax law and prior experience.

All amounts in Canadian $000s, unless otherwise indicated

20. TRANSITION TO IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements as at and for the year ended December 31, 2020, the comparative financial statements as at and for the year ended December 31, 2019 and in the preparation of an opening IFRS balance sheet at January 1, 2019, the date of transition. IFRS standards have been adopted retroactively.

In preparing the opening IFRS balance sheet, the Company has adjusted amounts previously reported under Accounting Standards for Private Enterprises ("ASPE"). An explanation of how the transition from ASPE to IFRS has affected the financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of IFRS impact on balance sheet

As at January 1, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Current assets				
Cash and cash equivalents		194	-	194
Accounts receivable	a	478	(3)	475
Prepaid expenses and other		63	-	63
Inventories		23	-	23
		758	(3)	755
Property and equipment	b,c	2,756	2,460	5,216
Total assets		3,514	2,457	5,971
Current liabilities				
Accounts payable and accrued liabilities		405	-	405
Lease liabilities and loans	c,d	1,077	179	1,256
Preferred shares		970	-	970
		2,452	179	2,631
Lease liabilities and loans	c,d	789	1,464	2,253
Deferred income taxes	f	-	152	152
Total liabilities		3,241	1,795	5,036
Shareholders' equity				
Share capital		1	-	1
Retained earnings		272	662	934
Total shareholders' equity		273	662	935
Total liabilities and shareholders' equity		3,514	2,457	5,971

All amounts in Canadian $000s, unless otherwise indicated

Reconciliation of IFRS impact on balance sheet

As at December 31, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Current assets				
Cash		27	-	27
Accounts receivable	a	419	(6)	413
Prepaid expenses and other		63	-	63
Inventories		39	-	39
		548	(6)	542
Property and equipment	b,c	2,725	2,548	5,273
Total assets		3,273	2,542	5,815
Current liabilities				
Bank indebtedness		42	-	42
Accounts payable and accrued liabilities		464	-	464
Lease liabilities and loans	c	897	226	1,123
Preferred shares		420	-	420
		1,823	226	2,049
Loans and lease liabilities	c	410	1,464	1,874
Deferred income taxes	d	-	211	211
Total liabilities		2,233	1,901	4,134
Shareholders' equity				
Share capital		1	-	1
Retained earnings		1,039	641	1,680
Total shareholders' equity		1,040	641	1,681
Total liabilities and shareholders' equity		3,273	2,542	5,815

Reconciliation of IFRS adoption impact on net income

For the year ended December 31, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Revenue		3,414	-	3,414
Cost of goods sold		1,360	-	1,360
Gross profit		2,054	-	2,054
Operating costs	c	429	(40)	389
General and administrative expenses		278	3	281
Depreciation	b,c	408	(89)	319
Finance costs (income), net	c	65	89	154
Other income		(36)	-	(36)
Net income before taxes		910	37	947
Tax expense	d	142	59	201
Net income and comprehensive income		768	(22)	746

Notes to the reconciliations of ASPE to IFRS

a) Accounts receivable

In accordance with IFRS, management recognizes loss allowances for ECLs on its financial assets measured at amortized cost.

b) Property and equipment

In accordance with IFRS, management elected to record the carrying amount of property and equipment as deemed cost at fair value as at the date of transition to IFRS. As a result, the carrying value of property and equipment was increased by $818 at January 1, 2019. In addition, management changed the depreciation method from declining balance to straight-line over the estimated useful life of the underlying asset. The impact of the increase in fair value and change in depreciation methods resulted in a net decrease in depreciation expense of $190.

c) Leases

Under ASPE, leases were classified as operating and financing leases. In accordance with IFRS, the Company removes the classification of leases as either operating or financing leases, effectively treating all leases as finance leases. Certain short-term leases, less than 12 months, and leases of low-value assets are exempt from the recognition requirements of IFRS and are expensed as incurred in net income (loss). The impact of this change in classification is to increase ROU assets which are included as a component of property and equipment and increase lease liabilities on the date of transition by $1,642. In addition, depreciation expense and finance costs increased by $101 and $89, respectively and operating costs decreased by $40 for the year ended December 31, 2019.

d) Income taxes

The above changes resulted in an increase of $211 to the deferred tax liability at December 31, 2019. The deferred tax liability was calculated based on a tax rate of 27.0 percent.

Independent auditor's report

To the Board of Directors of Sea to Sky Soils and Composting Inc.

Our opinion

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

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019 and January 1, 2019;
- the statements of net income and comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of shareholders' equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the 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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
July 5, 2021

SEA TO SKY SOILS AND COMPOSTING INC.

STATEMENTS OF FINANCIAL POSITION

As at
(Canadian $000s)

	Notes	December 31, 2020	December 31, 2019	January 1, 2019
Current assets				
Cash and cash equivalents		358	567	619
Restricted cash	4	319	370	-
Accounts receivable	5	1,111	735	445
Inventories		58	52	34
		1,846	1,724	1,098
Property and equipment	6	5,308	4,233	2,684
Total assets		7,154	5,957	3,782
Current liabilities				
Accounts payable and accrued liabilities	7	1,649	694	352
Lease liabilities and loans	8	92	451	446
		1,741	1,145	798
Lease liabilities and loans	8	1,361	1,778	1,371
Deferred income	9	765	-	-
Deferred income taxes	15	301	194	98
Total liabilities		4,168	3,117	2,267
Shareholders' equity				
Share capital	10	38	38	42
Contribution from parent	10	550	-	-
Retained earnings		2,398	2,802	1,473
Total shareholders' equity		2,986	2,840	1,515
Total liabilities and shareholders' equity		7,154	5,957	3,782

The notes are an integral part of these financial statements.

Commitments 20
Subsequent events 21

On behalf of the board of directors:

Signed *"Chase Edgelow"*

Chase Edgelow, Director

Signed *"Mischa Zajtmann"*

Mischa Zajtmann, Director

SEA TO SKY SOILS AND COMPOSTING INC.

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31
(Canadian $000s, except per share amounts)

	Notes	2020	2019
Revenue	11	4,953	4,647
Cost of goods sold		1,924	1,571
Gross profit		3,029	3,076
Operating costs		1,100	455
General and administrative expenses	12	510	280
Depreciation	6	319	239
Finance costs (income), net	13	113	128
Other income (expense), net	14	(58)	-
Net income before taxes		1,045	1,974
Tax expense	15	249	445
Net income and comprehensive income		796	1,529
Earnings per share, basic and diluted	16	$ 0.21	$ 0.37

The notes are an integral part of these financial statements.

SEA TO SKY SOILS AND COMPOSTING INC.

STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian $000's)

	Notes	2020	2019
Share capital			
Balance, January 1	10	38	42
Repurchase of class B common shares	10	-	(4)
Balance, December 31		38	38
Contribution from parent			
Balance, January 1		-	-
Capital contribution from parent	10	550	-
Balance, December 31		550	-
Retained Earnings			
Balance, January 1		2,802	1,473
Total comprehensive income		796	1,529
Dividends declared and paid	10	(1,200)	(150)
Dividends declared in exchange for loan payable	8,10	-	(50)
Balance, December 31		2,398	2,802
Total shareholders' equity		2,986	2,840

The notes are an integral part of these financial statements.

SEA TO SKY SOILS AND COMPOSTING INC.

STATEMENTS OF CASHFLOW

For the years ended December 31
(Canadian $000s)

	Notes	2020	2019
Operating activities			
Net income		796	1,529
Items not affecting cash:			
Depreciation	6	319	239
Other (income) expense, net	14	(52)	1
Deferred income tax expense	15	108	95
Changes in non-cash working capital	19	822	46
Net cash flows from operating activities		1,993	1,910
Investing activities			
Expenditures on property and equipment	6	(1,207)	(919)
Government grant received on facility expansion	9	765	-
Restricted cash	4	51	(370)
Changes in non-cash working capital	19	(249)	(12)
Net cash flows (used in) investing activities		(640)	(1,301)
Financing activities			
Repayment of principal portion of lease liabilities	8	(233)	(205)
Exercise of lease purchase option	8	(32)	-
Proceeds from loans received	8	60	4
Repayment of loans	8	(707)	(306)
Capital contribution	10	550	-
Repurchase of class B common shares	10	-	(4)
Dividends declared and paid	10	(1,200)	(150)
Net cash flows (used in) financing activities		(1,562)	(661)
Change in cash		(209)	(52)
Cash, beginning of year		567	619
Cash, end of year		358	567

The notes are an integral part of these financial statements.

1. REPORTING ENTITY

Sea to Sky Soils and Composting Inc. ("SSS" or the "Company") operates a Gore Cover™ organic waste management facility in British Columbia. The Company processes organics, yard waste and biosolids to for a contracted "tipping" fee and produces high-quality organic compost and soils for farmers, gardeners and developers as part of its outbound business. The Company was incorporated under the *British Columbia Business Corporations Act* on January 30, 2012.

The Company's principal place of business is located at #600 - 1111 W Hastings Street Vancouver, British Columbia and its registered office is located at 1200 Waterfront Centre, 200 Burrard Street Vancouver, British Columbia.

On December 31, 2020, the Company completed a plan of arrangement (the "Arrangement") with EverGen Infrastructure Inc. ("EverGen") and Net Zero Waste Abbotsford Inc. ("NZWA") whereby all the issued and outstanding shares of SSS and all the issued and outstanding shares of NZWA were acquired by EverGen. These transactions were accounted for as business combinations.

The Company's revenue, costs of goods sold and certain operating costs are impacted by seasonal weather variation and the related fluctuations in volumes processed.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1, "*First time adoption of International Financial Reporting Standards*", ("IFRS 1") has been applied.

The policies applied in these financial statements are based on IFRS issued, effective and outstanding as of December 31, 2020. These financial statements were approved and authorized for issuance by SSS's board of directors on July 5, 2021.

b) Basis of measurement, functional and presentation currency

These financial statements are presented in Canadian dollars, the Company's functional currency, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, except as detailed in the Company's accounting policies disclosed in note 3.

c) Use of estimates, judgements and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates and judgments used in the preparation of these financial statements are outlined below.

Fair value of property and equipment

In accordance with IFRS, management elected to record the carrying amount of property and equipment as deemed cost at fair value as at the date of transition to IFRS. The estimation of fair value involves significant estimates and judgements related to useful life, the general condition of property and equipment, patterns of normal wear and tear and the rate of technological change of the underlying assets.

Impairment

Property and equipment assets are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows and that are largely independent of the cash inflows of other assets or groups of assets. These assets are allocated into a cash-generating unit ("CGU"). The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the performance of the assets.

The recoverable amount of a CGU is determined as the greater of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). These calculations require the use of estimates applied by management regarding forecasted activity levels, expected future results and discount rates among others. These estimates are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGU.

Depreciation

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change or as technological advancements are made.

Lease liabilities and right-of-use assets

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. The measurement of lease liabilities and right-of-use ("ROU") assets incorporates an estimate of lease terms and discount rates. The term of a lease is determined as the non-cancellable period of a lease and includes periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In considering the option to extend a lease, the Company considers all the relevant facts and circumstances that create an economic incentive to exercise or not exercise the option. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment. Where the rate implicit in a lease is not readily determinable, the discount rate is estimated using a discount rate similar to the Company's incremental borrowing rate to purchase an asset of similar value, with similar payment terms and security.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable profits.

d) Recent developments and impact on estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic due to Novel Coronavirus (“COVID-19”). COVID-19 has significantly impacted the global economy. The full extent and impact of the COVID-19 pandemic to the Company’s operations and future financial performance is unknown at this time and depends on a number of future developments which are uncertain and unpredictable. These future developments include the duration and spread of COVID-19, its continued impact on capital and financial markets and new information that may emerge concerning the severity of the virus. These uncertainties may continue beyond the determination of how to contain the virus and treatment of those impacted. The ongoing pandemic presents uncertainty and risk to the Company, its performance, and the estimates and assumptions used by management to prepare its financial results.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company adopted IFRS effective January 1, 2019. IFRS 1, which governs the first-time adoption of IFRS, in general requires accounting policies under IFRS to be applied retrospectively to determine the opening balance sheet of the Company as of the transition date and allows certain exemptions which the Company has elected to apply. Those elections considered significant to the financial statements of the Company include the decision to record the carrying amount of property and equipment as deemed cost at fair value as of the date of transition.

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements and for the purposes of preparing the opening IFRS balance sheet at January 1, 2019.

a) Revenue recognition

Revenue is generated primarily from tipping fees charged to customers upon receipt of organic waste at the Company’s organic waste facility and through the sale of organic compost and soil. Revenues are influenced by various factors such as the type and weight or volume of waste materials disposed of at the Company’s facility.

Recognition of revenue from tipping fees occurs based on individual contractual terms and when indicators of the transfer of control exist, which is generally satisfied when the services are completed in accordance with the contract specifications. Revenue earned from the rendering of services and earned at a point in time relates to includes tipping fees on organic waste disposal and trucking services.

Revenue from the sale of organic compost and soil is recognized when transfer of control exists, primarily at the transfer of finished goods inventory to the customer.

The Company’s revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money. The Company does not disclose information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

Finance income is recognized as it accrues using the effective interest rate method.

b) Cost of goods sold

Cost of goods sold is comprised of direct and indirect costs, including handling, labour, fuel charges and hauling costs where required, associated with organic feedstock collection and the preparation and the process of screening, blending and curing the feedstock for conversion into saleable organic compost and soil.

c) Operating costs

Operating costs are comprised of repairs and maintenance, utilities, licenses and permits and property taxes.

d) General and administrative expenses

General and administrative expenses consist of labour and related benefits costs, which includes salaries, bonuses and other related payroll benefits; professional fees, which includes fees for consulting, legal, audit and tax services; and other general and administrative expenses.

e) Government assistance and other grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Grants related to assets are recorded as deferred income and amortized into other income over the useful life of the underlying asset. Claims under government grant programs related to the recovery of expenses are recorded as a reduction of the eligible expenses. Government grants in which there are no corresponding assets or expenses are recorded in other income in net income (loss) in the period in which the reasonable assurance and conditions of the grant have been met.

f) Finance costs

Finance costs consists primarily of the interest component of lease payments and interest recognized on loans which is expensed as incurred.

g) Cash

Cash consists of cash on deposit, short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired. Restricted cash is disclosed separately.

h) Inventory

Inventory consists of raw materials, work in progress, and finished goods. Inventory consists of organic and green waste products (“organic feedstock”), compost which is at various stages of decomposition (“work-in-progress”), and various grades of saleable branded compost and soil (“finished goods”).

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle and includes expenditures incurred in acquiring the raw materials, processing or conversion costs, and other costs incurred in producing saleable compost and soil. In the case of work in progress, cost includes an appropriate share of these costs based on its stage of completion. Net realizable value is the estimated selling price less applicable selling costs.

i) Property and equipment

IFRS 1 allows the recognition of property and equipment in the IFRS opening balance sheet at deemed cost as an alternative to the cost prescribed in International Accounting Standard 16. “*Property, plant and equipment*”. In accordance with IFRS 1, the Company has elected to record the carrying amount of property and equipment as deemed cost at fair value as of the date of transition. An independent valuator was involved in determining fair value. Subsequent to January 1, 2019, property and equipment has been measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable. Repairs and maintenance are expensed as incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Buildings, leasehold improvements, equipment, vehicles and other are depreciated on a straight-line basis over their estimated useful economic lives. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The following useful lives are utilized for determining depreciation:

Asset class	
Buildings and leasehold improvements	15 – 25 years
Equipment, vehicles and other	10 – 15 years
Right-of-use assets	2 – 19 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

j) Leases

The Company assesses whether a contract is a lease; based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability; initial direct costs incurred; and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset; less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

The ROU asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

k) Impairment

Property and equipment is reviewed for indicators of impairment at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include but are not limited to changes in the Company's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

l) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

m) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Dividends are accrued when declared by the board of directors.

o) Per share amounts

Basic income and diluted income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company has no dilutive instruments.

p) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the transaction dates. Foreign exchange gains and losses are recorded in net income (loss) in the period in which they occur.

q) Financial instruments

The Company's financial assets consist of cash and cash equivalents and accounts receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities and loans.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognized at fair value on initial recognition less transaction costs directly attributable to the acquisition or issuance of the financial instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired. Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL") on the basis of the Company's business model and contractual cash flows of the financial asset. Financial liabilities are subsequently measured at amortized cost or FVTPL. Amortized cost is calculated by taking into account any issue costs. Interest expense is recognized in net income (loss).

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECL. The Company's historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management's assumptions are updated and adjusted at each reporting date. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

r) Related party transactions

Related party transactions are accounted for at the exchange amount which is the amount agreed upon between the parties.

s) Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements include:

All amounts in Canadian $000s, unless otherwise indicated

- Amendments to IFRS 9 "*Financial Instruments: Recognition and Measurement*", IFRS 7 *"Financial Instruments: Disclosures"*, IFRS 4 "*Insurance Contracts*" and IFRS 16 *"Leases"* for the IASB publication "Interest Rate Benchmark Reform", which provides clarity on the changes after the reform of an interest rate benchmark. The amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform.
- International Accounting Standard 1 *"Presentation of Financial Statements"*, ("IAS 1") has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023.

The Company intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendments.

4. RESTRICTED CASH

The Company's restricted cash of $319 at December 31, 2020 (December 31, 2019 - $567) is held in restricted term deposits as required by the Organic Infrastructure Program, note 9.

5. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019	January 1, 2019
Trade receivables	658	739	447
Organic Infrastructure Program receivable (note 9)	447	-	-
Other	12	-	-
Credit loss allowance	(6)	(4)	(2)
	1,111	735	445

The Company was awarded a federal grant of $765 under the Organic Infrastructure Program for the expansion of its organic waste facility (note 9). A portion of the grant, $447 is recorded in accounts receivable at December 31, 2020 and is collateralized.

All amounts in Canadian $000s, unless otherwise indicated

6. PROPERTY AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Total
January 1, 2019	603	1,214	867	2,684
Additions	656	263	869	1,788
At December 31, 2019	1,259	1,477	1,736	4,472
Additions	1,042	165	187	1,394
Exercise of lease purchase option	-	382	(382)	-
At December 31, 2020	**2,301**	**2,024**	**1,541**	**5,866**
Accumulated depreciation				
January 1, 2019	-	-	-	-
Depreciation	39	98	102	239
At December 31, 2019	39	98	102	239
Depreciation	87	122	110	319
Exercise of lease purchase option	-	75	(75)	-
At December 31, 2020	**126**	**295**	**137**	**558**
Carrying value				
At January 1, 2019	603	1,214	867	2,684
At December 31, 2019	1,220	1,379	1,634	4,233
At December 31, 2020	**2,175**	**1,729**	**1,404**	**5,308**

The Company's ROU assets include lease contracts for land on which it operates and equipment which is used in operations.

As at December 31, 2020 and December 31, 2019, there were no indicators of impairment related to the Company's property and equipment.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019	January 1, 2019
Trade payables and accrued liabilities	1,276	265	197
Corporate taxes payable	147	350	127
Other liabilities	226	79	28
	1,649	**694**	**352**

At December 31, 2020, trade payables and accrued liabilities includes $550 for an accrual related to a regulatory compliance related matter.

All amounts in Canadian $000s, unless otherwise indicated

8. LEASE LIABILITIES AND LOANS

The Company has lease liabilities and loans consisting of the following:

	December 31, 2020	December 31, 2019	January 1, 2019
Lease liabilities	1,453	1,531	867
Loans	-	698	950
	1,453	2,229	1,817

Lease liabilities

	Total
As at January 1, 2019	867
Additions	869
Interest expense (note 13)	79
Lease payments	(284)
As at December 31, 2019	1,531
Additions	187
Interest expense (note 13)	82
Lease payments	(315)
Exercise of lease purchase option	(32)
As at December 31, 2020	1,453
Less current portion	92
Long-term portion	1,361

The Company has lease liabilities for land and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Certain of the Company's leases include purchase options. When a purchase option is expected to be exercised, it is included in the determination of the lease liability. The lease terms of the land leases include all available renewal options to the Company, as lessee, based on the reasonable expectation that these renewal terms will be exercised. The Company does not have any significant termination options and the residual amounts are not material.

The Company has no variable lease payments and no short-term leases.

All amounts in Canadian $000s, unless otherwise indicated

Loans

Cost	Loans payable third parties	Loans payable to related parties	Total
January 1, 2019	741	208	949
Advance in lieu of dividend payment (note 10)	-	50	50
Advance	-	4	4
Principal repayment	(127)	(179)	(306)
At December 31, 2019	614	83	697
Advances	60	-	60
Principal repayment	(654)	(53)	(707)
Loan forgiveness (note 14)	(20)	-	(20)
Loss (gain) on debt extinguishment (note 14)	-	(30)	(30)
At December 31, 2020	-	-	-

a) Loans payable to third parties

The Company's loans and borrowings relate to the following facilities:

i. Term loan facility

As at January 1, 2019, the Company had $741 outstanding on a term loan facility with an original loan value of $850. The term loan facility bears interest at prime plus 1.50 percent per annum, had an original term of five years and was subject to various operational and financial covenants. The term loan facility was repaid in full as at December 31, 2020. The facility was cancelled subsequent to December 31, 2020.

ii. Credit facility

The Company had a credit facility of $350 to be used for working capital and general purposes. The credit facility bears interest at prime plus 1.50 percent and is due on demand. No amounts were drawn under this facility as at and during the year ended December 31, 2020 (2019 - $nil). The facility was cancelled subsequent to December 31, 2020.

iii. Other

During the year ended December 31, 2020, the Company received $60 related to a third-party loan, of which $20 was forgiven if the amount was repaid prior to December 31, 2022. At December 31, 2020, the amounts were repaid and the forgivable portion included in other income (note 14).

b) Loans payable to related parties

The Company has unsecured non-interest-bearing loans with related parties. The loans payable to related parties had no fixed repayment terms and were due on demand. The non-interest-bearing loans payable to related parties were repaid during the year ended December 31, 2020.

During the year ended December 31, 2020, the Company repaid loans with a face value of $83 for cash of $53 resulting in a gain on debt extinguishment of $30 (2019 – $nil).

All amounts in Canadian $000s, unless otherwise indicated

9. GOVERNMENT ASSISTANCE AND OTHER GRANTS

Organic Infrastructure Program

In 2019, the Company was awarded a federal grant under the Organic Infrastructure Program. The grant is conditional on the expansion of the Company's existing facility. The Company received $318 during the year ended December 31, 2020 and an additional $447 is included in accounts receivable at December 31, 2020. The grant proceeds of $765 is included in deferred income at December 31, 2020 and will be amortized into income over the estimated useful life of the facility once the expansion is complete.

Lil'wat Nation payroll grant

SSS operates its facility on a site hosted by and leased from the Lil'Wat Nation and employs individuals from the Lil'Wat Nation. During 2020 and 2019, SSS benefited from a Lil'Wat Nation payroll grant. This grant is recorded as a reduction of SSS's cost of goods sold of $29 in the year ended December 31, 2020 (2019 - $17). The grant relates directly to the employment and education of Lil'Wat Nation members.

Other

During the year ended December 31, 2020, the Company received $33 of other government assistance (2019 - $nil), of which $30 has been recorded as a reduction in cost of goods sold and $3 as a reduction in general and administrative, consistent with the eligible labour costs.

10. SHAREHOLDERS' EQUITY

Authorized share capital

The Company has authorized an unlimited number of class A and class B common shares.

Issued

	Number of shares (thousands)	Amount
As at January 1, 2019	4,167	42
Repurchase of class B common shares	(417)	(4)
As at December 31, 2019	3,750	38
As at December 31, 2020	**3,750**	**38**

On November 7, 2019, the Company repurchased the outstanding class B common shares for $0.01 per share.

The Company declared and paid dividends of $1,200 during the year ended December 31, 2020 (2019 - $150). During the year ended December 31, 2019, the Company issued notes payable to related parties with a face value of $50 in lieu of dividends of $50 (note 8).

On December 31, 2020, the issued and outstanding shares were acquired by EverGen.

Capital contribution

During the year ended December 31, 2020, the Company received a capital contribution of $550 from EverGen which was used to repay outstanding loans (note 8).

All amounts in Canadian $000s, unless otherwise indicated

11. REVENUE

For the years ended December 31,	2020	2019
Tipping fees	3,281	3,047
Organic compost and soil sales	903	900
Trucking services	769	700
	4,953	4,647

Tipping fee income includes the disposal of biosolids and organic waste.

The Company, through its wholly-owned subsidiary SSS, submitted a request for proposal, specifically No. 20-016, for the City of Vancouver's North Shore Transfer Station five-year contract related to organics management. The request for proposal was for contracts expiring June 30, 2021, currently held by SSS for both tipping and trucking of organic waste. These contracts accounted for 70 percent of SSS's revenue during the year ended December 31, 2020. On April 16, 2021, the Company was notified that this material contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee.

12. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	2020	2019
Salaries and wages	360	153
Professional and consulting fees	37	40
Other	113	87
	510	280

13. FINANCE COSTS (INCOME), NET

For the years ended December 31,	2020	2019
Interest expense on lease liabilities (note 8)	82	79
Interest expense on loans (note 8)	25	37
Other	16	12
Interest income	(10)	-
	113	128

14. OTHER INCOME (EXPENSE), NET

For the years ended December 31,	2020	2019
Gain (loss) on debt extinguishment (note 8)	30	-
Other	28	-
	58	-

All amounts in Canadian $000s, unless otherwise indicated

15. INCOME TAXES

Amounts recognized in net income and reconciliation

The Company recognized the following income taxes:

For the years ended December 31,	2020	2019
Current tax	142	350
Deferred tax expense	107	95
Tax expense	**249**	**445**

The provision for income taxes differs from the amount which would be expected by applying the combined federal and provincial statutory income tax rates to net income before tax.

The following table reconciles income taxes calculated at the statutory rate with the recorded income taxes:

For the years ended December 31,	2020	2019
Net income before income tax	1,045	1,974
Statutory income tax rate (percent)	27.0	27.0
Expected income tax expense at statutory rate	282	533
Effect on taxes resulting from:		
Non-deductible expenses	4	2
Other	(37)	(90)
Tax expense	**249**	**445**

Deferred tax balances and tax losses carried forward

The temporary differences that give rise to the deferred income tax assets and liabilities are as follows:

	Balance at December 31, 2019	Recognized in net income	Balance at December 31, 2020
Deferred income tax liabilities			
Property and equipment	608	85	693
	608	85	693
Deferred income tax assets			
Lease liabilities	(413)	21	(392)
Other	(1)	1	-
	(414)	22	(392)
Deferred income tax liabilities	**194**	**107**	**301**

All amounts in Canadian $000s, unless otherwise indicated

	Balance at January 1, 2019	Recognized in net income	Balance at December 31, 2019
Deferred income tax liabilities			
Property and equipment	332	276	608
	332	276	608
Deferred income tax assets			
Lease liabilities	(234)	(179)	(413)
Other	-	(1)	(1)
	(234)	(180)	(414)
Deferred income tax liabilities	98	96	194

At December 31, 2020 the Company has approximately $2,700 of tax pools available for future deduction against taxable income (December 31, 2019 - $1,980).

16. PER SHARE AMOUNTS

Basic and diluted net income and comprehensive net income per share

The calculation of basic and diluted net income and comprehensive net income per share for the year ended December 31, 2020 was based on the net income and comprehensive net income attributable to common shareholders of $796 (2019 - $1,529) and the weighted-average number of common shares outstanding during the year. Basic and diluted net income and comprehensive net income for the year ended December 31, 2020 was $0.21 per share (2019 - $0.37 per share).

The weighted-average number of common shares outstanding during the year was calculated as follows:

For the years ended December 31,	2020	2019
Thousands of shares		
Issued common shares at beginning of year	3,750	4,167
Repurchase of class B common shares	-	(63)
Basic weighted-average common shares outstanding	**3,750**	**4,104**

The Company had no dilutive instruments outstanding for the years ended December 31, 2020 and December 31, 2019.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial assets consist of cash and cash equivalents and accounts receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities and loans.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturity of those instruments.

Lease liabilities and loans are initially measured at fair value and carried at amortized cost. The fair value of the lease liabilities and loans payable to third parties approximates their carrying value due to the specific non-tradeable nature of these instruments. The estimated fair value of the loans payable to related parties has been determined based on the estimated terms to maturity and discount rates of a promissory note issued to a third party (level 3). The fair value of the loans payable to related parties approximates the carrying value due to no fixed terms of repayment and the loans are due on demand.

Financial risk management

The Company's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect the Company's net income (loss) or value of financial instruments. At December 31, 2020, the Company has fixed interest rates associated with its lease liabilities, thereby substantially reducing the cash flow risk of market fluctuations related to interest rates. The Company has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company's credit risk is concentrated with a few customers, primarily municipal governments. During the year ended December 31, 2020, the Company had two customers who represented 72 percent of revenue (2019 – two customers who represented 72 percent). At December 31, 2020, three customers represented 90 percent of accounts receivable (December 31, 2019 – three customers represented 87 percent of accounts receivable). Accounts receivable includes $447 of which is collateralized.

The Company submitted a request for proposal for the City of Vancouver's North Shore Transfer Station related to organics management. The request for proposal was for contracts expiring on June 30, 2021 which are currently held by the Company for both tipping and trucking of organic waste. During the year ended December 31, 2020, these contracts accounted for 70 percent of the Company's revenue. On April 16, 2021, the Company was notified that this contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee. See additional information in note 22.

Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECLs. The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. Management considers the credit worthiness of counterparties and past payment history as well as amounts past due. Management regularly monitors customers payments and considers all amounts greater than 60 days to be past due. At December 31, 2020, approximately 20 percent of trade receivables were past due but not considered impaired (December 31, 2019 – 5 percent). The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements. There have been no changes in the assumptions used to determine the provision for ECL during the year ended December 31, 2020.

The Company held cash and cash equivalents of $677 at December 31, 2020 (December 31, 2019 - $937) which represents its maximum credit exposure on these assets. The cash is held with major financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending.

All amounts in Canadian $000s, unless otherwise indicated

The expected timing of cash outflows relating to financial liabilities on balance sheet as at December 31, 2020 are:

	2021	2022	2023	2024	2025	2026 and there-after	Total
Accounts payable and accrued liabilities	1,649	-	-	-	-	-	1,649
Lease payments [1]	173	173	173	164	121	1,370	2,174
Total	1,822	173	173	164	121	1,370	3,823

[1] *Includes principal and interest.*

The Company anticipates that its existing capital resources will be adequate to satisfy its liquidity requirements over the next 12 months.

Capital management

The capital structure of the Company consists of the following:

	December 31, 2020	December 31, 2019	January 1, 2019
Lease liabilities and loans	1,453	2,229	1,817
Shareholders' equity	2,986	2,840	1,515
	4,439	5,069	3,332

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements. The Company is not subject to external restrictions on its capital structure.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include lease liabilities, loans and shareholders' equity. Management monitors the capital structure and results of operations on a routine basis including the measurement and reporting of key metrics including earnings before interest, tax, depreciation and amortization ("EBITDA") and adjusted EBITDA which is EBITDA adjusted for unusual or non-recurring items. Management considers EBITDA to be a key metric in analyzing the operational performance of the Company and the ability to generate cash flow. To maintain or adjust the capital structure, the Company may issue additional debt, issue new shares and adjust capital and operating expenditures to manage its current and projected debt levels.

18. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

The value of compensation and other fees paid to board of directors and members of executive management of the Company is as follows:

For the years ended December 31,	2020	2019
Salaries and benefits	462	260
	462	260

All amounts in Canadian $000s, unless otherwise indicated

Revenue and expenses

The Company had no revenue earned from related parties during the year ended December 31, 2020 (2019 - $nil).

The exchange value of expenses paid to related parties of the Company is as follows:

For the years ended December 31,	2020	2019
Expenses	770	689

Expenses paid to related parties during the year ended December 31, 2020 include $763 for trucking services (2019 - $683) which are included in cost of goods sold. The entity is related to the Company due to a member of SSS's key management personnel being a director and controlling shareholder of the vendor providing the trucking services. Other expenses of $7K were paid to related parties during the year ended December 31, 2020 (2019 - $6). During the year ended December 31, 2020, the Company reimbursed an entity under common ownership for general and administrative expenses incurred on behalf of the Company of $36 (2019 - $26).

The Company has the following amounts included in accounts payable and accrued liabilities which are owing to related parties:

	December 31, 2020	December 31, 2019	January 1, 2019
1210366 BC Ltd.[(1)]	174	110	-
Net Zero Waste Abbotsford Inc.	9	27	79
	183	**137**	**79**

[(1)] *Subsequent to year-end, 1210366 BC Ltd. changed its name Net Zero Waste Infrastructure Corp.*

19. SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital from the statements of financial position to the statements of cash flows:

For the years ended December 31,	2020	2019
Net changes in non-cash working capital:		
Accounts receivable	(376)	(290)
Inventories	(6)	(18)
Accounts payable and accrued liabilities	955	342
	573	**34**
Net changes in non-cash working capital:		
Operating activities	822	46
Investing activities	(249)	(12)
	573	**34**
Interest paid	107	127
Taxes paid	129	354

All amounts in Canadian $000s, unless otherwise indicated

The following table reconciles the movement in cash flows arising from financing activities:

For the years ended December 31,	2020	2019
Lease liabilities		
Balance, beginning of year	1,531	867
Additions	187	869
Principal repayments	(233)	(205)
Exercise of lease purchase option	(32)	-
Balance, end of year	1,453	1,531
Loans		
Balance, beginning of year	697	949
Advances	60	4
Principal repayments	(707)	(306)
Loss (gain) on debt forgiveness	(30)	-
Non-cash exchange of dividend payable for loan payable	-	50
Non-cash loan forgiveness	(20)	-
Balance, end of year	-	697
Share capital		
Balance, beginning of year	38	42
Repurchase of class B common shares	-	(4)
Balance, end of year	38	38
Contribution from parent		
Balance, beginning of year	-	-
Cash contribution	550	-
Balance, end of year	550	-
Dividends payable		
Balance, beginning of year	-	-
Dividends declared	1,200	200
Dividends paid	(1,200)	(150)
Non-cash exchange of dividend payable for loan payable	-	(50)
	-	-

20. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The Company has no outstanding contractual obligations or commitments at December 31, 2020.

Uncertainty over income tax treatments

The Company believes that the accruals for tax liabilities are adequate for all open tax years based on the assessment of many factors, including interpretations of tax law and prior experience.

All amounts in Canadian $000s, unless otherwise indicated

21. TRANSITION TO IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements as at and for the year ended December 31, 2020, the comparative financial statements as at and for the year ended December 31, 2019 and in the preparation of an opening IFRS balance sheet at January 1, 2019, the date of transition. IFRS standards have been adopted retroactively.

In preparing the opening IFRS balance sheet, the Company has adjusted amounts previously reported under Accounting Standards for Private Enterprises ("ASPE"). An explanation of how the transition from ASPE to IFRS has affected the financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of IFRS impact on balance sheet

As at January 1, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Current assets				
Cash and cash equivalents		619	-	619
Accounts receivable	a	447	(2)	445
Inventories		34	-	34
		1,100	(2)	1,098
Property and equipment	b,c	1,327	1,357	2,684
Total assets		2,427	1,355	3,782
Current liabilities				
Accounts payable and accrued liabilities		352	-	352
Lease liabilities and loans	c	336	110	446
		688	110	798
Lease liabilities and loans	c	614	757	1,371
Deferred income taxes	d	-	98	98
Total liabilities		1,302	965	2,267
Shareholders' equity				
Share capital		42	-	42
Retained earnings		1,083	390	1,473
Total shareholders' equity		1,125	390	1,515
Total liabilities and shareholders' equity		2,427	1,355	3,782

All amounts in Canadian $000s, unless otherwise indicated

Reconciliation of IFRS impact on balance sheet

As at December 31, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Current assets				
Cash and cash equivalents		937	-	937
Accounts receivable	a	739	(4)	735
Inventories		52	-	52
		1,728	(4)	1,724
Property and equipment	b,c	1,867	2,366	4,233
Total assets		3,595	2,362	5,957
Current liabilities				
Accounts payable and accrued liabilities		694	-	694
Lease liabilities and loans	c	211	240	451
		905	240	1,145
Lease liabilities and loans	c	239	1,539	1,778
Deferred income taxes	d	-	194	194
Total liabilities		1,144	1,973	3,117
Shareholders' equity				
Share capital		38	-	38
Retained earnings		2,413	389	2,802
Total shareholders' equity		2,451	389	2,840
Total liabilities and shareholders' equity		3,595	2,362	5,957

Reconciliation of IFRS adoption impact on net income

For the year ended December 31, 2019	Notes	ASPE	Effect of transition to IFRS	IFRS
Revenue		4,647	-	4,647
Cost of goods sold		1,571	-	1,571
Gross profit		3,076	-	3,076
Operating costs	c	490	(35)	455
General and administrative expenses		278	2	280
Depreciation	b,c	379	(140)	239
Finance costs	b	49	79	128
Net income before taxes		1,880	94	1,974
Tax expense		350	95	445
Net income and comprehensive income		1,530	(1)	1,529

Notes to the reconciliations of ASPE to IFRS

a) Accounts receivable

In accordance with IFRS, management recognizes loss allowances for ECLs on its financial assets measured at amortized cost.

b) Property and equipment

In accordance with IFRS, management elected to record the carrying amount of property and equipment as deemed cost at fair value as at the date of transition to IFRS. As a result, the carrying value of property and equipment was increased by $491 at January 1, 2019. In addition, management changed the depreciation method from declining balance to straight-line over the estimated useful life of the underlying asset. The impact of the increase in fair value and change in depreciation methods resulted in a net decrease in depreciation expense of $242.

c) Leases

Under ASPE, leases were classified as operating and financing leases. In accordance with IFRS, the Company removes the classification of leases as either operating or financing leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the recognition requirements of IFRS and are expensed as incurred in net income (loss). The impact of this change in classification is to increase ROU assets which are included as a component of property and equipment and increase lease liabilities on the date of transition by $869. In addition, depreciation expense and finance costs increased by $102 and $79, respectively and operating costs decreased by $35 for the year ended December 31, 2019.

d) Income taxes

The above changes resulted in an increase of $194 to the deferred tax liability at December 31, 2019. The deferred tax liability was calculated based on a tax rate of 27.0 percent.

22.SUBSEQUENT EVENT

The Company submitted a request for proposal, specifically No. 20-016, for the City of Vancouver’s North Shore Transfer Station five-year contract related to organics management. The request for proposal was for contracts expiring June 30, 2021 and currently held by the Company for both tipping and trucking of organic waste. During the year ended December 31, 2020, these contracts accounted for 70 percent of the Company’s revenue. On April 16, 2021, the Company was notified that this material contract was awarded to another bidder subject to final review and execution by the commissioner of the Metro Vancouver Regional District – Zero Waste Committee.