EVERGEN
Infrastructure Corp.

Management's Discussion and Analysis
For the year ended December 31, 2021

(All amounts in Canadian $000s, unless otherwise indicated)

FINANCIAL AND OPERATIONAL HIGHLIGHTS SUMMARY

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
FINANCIAL						
Total revenue[1]	2,693	-	-	9,564	-	-
Net loss[2]	(1,113)	(2,227)	(50)	(1,953)	(2,233)	(13)
Net loss per share ($), basic and diluted[6]	(0.08)	(6.69)	(99)	(0.18)	(17.05)	(99)
EBITDA[3],[4]	(512)	(2,515)	(80)	836	(2,521)	(133)
Adjusted EBITDA[3], [4]	(18)	-	-	2,839	-	-
Capital expenditures – property & equipment	1,004	-	-	1,590	-	-
Capital expenditures – acquisitions	-	24,498	(100)	10,644	24,498	(57)
Total assets	80,610	50,510	60	80,610	50,510	60
Total long-term liabilities	14,764	8,780	68	14,764	8,780	68
Working capital surplus (deficit)[4]	20,545	(2,842)	(823)	20,545	(2,842)	(823)
COMMON SHARES (thousands)						
Outstanding, end of period	13,367	8,203	63	13,367	8,203	63
Weighted average – basic	13,367	333	3914	11,029	131	8319
Weighted average – diluted	13,367	333	3914	11,029	131	8319
OPERATING						
Incoming organic feedstock (tonnes)	26,110	-	-	94,206	-	-
Organic compost and soil sales (yards)[5]	5,119	-	-	61,790	-	-
RNG (gigajoules)[1]	12,682	-	-	55,380	-	-

(1) *RNG volumes commenced on April 16, 2021, upon the acquisition of FVB. RNG volumes were lower for the fourth quarter of 2021 as a direct result of flooding events in the Abbotsford and Sumas Prairie regions, which resulted in the shut down of the FVB facility on November 15, 2021 until operations were restored. Since March 2, 2022 FVB has been operating and producing daily volumes of up to 223 GJ/d, restoring production volumes to historical levels.*

(2) *Operating expenses and cost of goods sold were increased during the fourth quarter of 2021 at FVB and NZWA as a direct result of the flooding events.*

(3) *The lost revenues and additional costs incurred as a result of the floods are insurable under the Company's insurance policies and will be offset with insurance proceeds received and recognized into net income in 2022. No insurance proceeds related to the floods were recognized in net loss and comprehensive loss for 2021.*

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

(5) *Organic compost and soil sales includes both finished and unfinished product sales and by-products.*

(6) *Per share basic and diluted amounts are calculated using the weighted average common shares outstanding consistent with the calculation of basic and diluted net income (loss) per share. Per share diluted amounts include the dilutive impact of share warrants, shareholder rights, PSUs, DSUs, RSUs and Options. Per share diluted amounts for net loss are equivalent to the per share basic amounts as the impact of outstanding share warrants, shareholder rights, PSUs, DSUs, RSUs and Options would be anti-dilutive.*

BASIS OF PRESENTATION

April 20, 2022 - EverGen Infrastructure Corp. and its subsidiaries ("EverGen" or "the Company") has prepared this Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2021. The comparative periods are the three months ended December 31, 2020 and the period from incorporation on May 13, 2020 to December 31, 2020.

This MD&A has been prepared in accordance with National Instrument 51-102F1 and should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and have been filed with the securities regulatory authorities on SEDAR at www.sedar.com.

All references to "$" are references to Canadian dollars and 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 April 19, 2022.

READER ADVISORIES

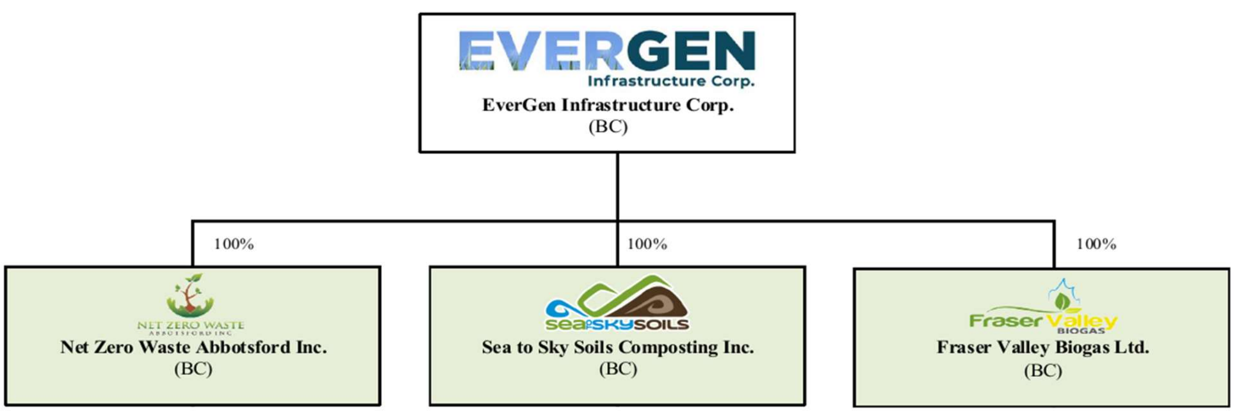
This MD&A contains certain "forward-looking statements" within the meaning of Canadian securities legislation and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that 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, 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. EverGen's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "EVGN".

EverGen commenced operations upon incorporation on May 13, 2020.

The Company operates three facilities through its wholly-owned subsidiaries: Net Zero Waste Abbotsford Inc. ("NZWA"), Sea to Sky Soils and Composting Inc. ("SSS") and Fraser Valley Biogas Ltd. ("FVB").



On December 31, 2020, EverGen acquired NZWA and SSS. EverGen owns and operates 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. The majority of the revenue currently earned by the composting operations is sourced under long-term contracts with local municipalities. In addition, through NZWA, EverGen entered into a 20-year offtake agreement for RNG sales with FortisBC Energy Inc. ("FortisBC") on April 29, 2021 which underpins the RNG expansion at this facility. In October 2021, the British Columbia Utilities Commission approved the RNG offtake agreement with FortisBC marking the final regulatory step in formalizing the 20-year RNG sales contract. Upon completion of NZWA project development and construction activities, EverGen expects to begin supplying RNG from the project to FortisBC's network. This expansion project commenced during the fourth quarter of 2021 and is expected to be completed during 2023.

On April 16, 2021, EverGen acquired all of the issued and outstanding shares of FVB resulting in EverGen owning and operating a biogas facility in Abbotsford, British Columbia which sells RNG under a long-term contract with FortisBC. FVB is the original producing RNG project in Western Canada. The facility combines anaerobic digestion and biogas upgrading to produce RNG, primarily by converting agricultural waste from local dairy farms.

From this existing platform, EverGen plans to further grow and develop RNG facilities providing RNG revenue pursuant to long term RNG offtake contracts to FortisBC and other creditworthy customers.

EverGen's purpose is to contribute to the circular economy, promoting socially conscious business models for waste recycling while providing sustainable returns for the planet by using its platform of investments and operational excellence to drive rapid RNG penetration and grid conversion in addition to:

- Progressing the development and construction of existing portfolio of RNG expansion projects;
- Optimizing, diversifying and expanding existing organic waste processing capabilities (RNG feedstock);
- Continuing the growth of its project portfolio via strategic acquisitions and consolidation opportunities; and
- Developing strategic partnerships and advancing RNG project pipelines.

Significant events from December 31, 2021 to the date of this report:

On February 15, 2022, EverGen began trading its common shares on the OTCQB® Venture Market ("OTCQB") in the United States under the symbol "EVGIF." The OTCQB, operated by OTC Markets Group Inc., is recognized by the United States Securities and Exchange Commission as an established market providing companies the opportunity to build visibility, expand liquidity and diversify their shareholder base on an established public market. The OTCQB provides investors who cannot access trading on the TSX Venture Exchange with an alternative access to EverGen's common shares though regulated US broker-dealers.

On March 2th, 2022, FVB restored operations following downtime arising from the historic nearly 100-year Fraser Valley floods and resumed producing RNG volumes for delivery to FortisBC.

On March 4, 2022, EverGen entered into a letter of intent ("LOI") with Grow the Energy Circle Ltd. ("GrowTEC"), in its capacity as general partner of CKPPQ Farms LP to acquire a 67% interest (the "Proposed Transaction") in a biogas facility in Alberta and to work with GrowTEC to develop and expand the RNG output at the facility. This asset is a cornerstone Project in a strategic jurisdiction where and on which EverGen can continue to participate in the consolidation and growth of the RNG industry.

On March 21, 2022 and April 1, 2022, NZWA and FVB each received $208 and $1,500 respectively in insurance proceeds. These funds represent a partial progress payment related to losses realized during the fourth quarter of 2021 as a result of the nearly 100-year flooding events which occurred in the Abbotsford and Sumas Prairie regions. Further proceeds are expected to be recovered throughout 2022 which will be recorded to other income to the extent they offset lost revenues and incremental expenses incurred, resulting in a deferral of EBITDA and adjusted EBITDA into 2022 that would have otherwise been recognized in 2021.

(All amounts in Canadian $000s, unless otherwise indicated)

On March 28, 2022 Sean Hennessy joined as VP, Finance and Controller and Jamie Betts joined as VP, Operations. Concurrent with these additions, Mischa Zajtmann, President of EverGen, added the role of Chief Operating Officer to his responsibilities. Former Chief Operating Officer, Sean Mezei, has transitioned to a strategic RNG advisor and will provide focused support to the operating and project teams including commissioning and optimization of the Company's core RNG facilities.

Subsequent to year end, the Company granted 133,351 RSUs to employees which vest over a three-year period.

RESULTS OF OPERATIONS

Revenue

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Tipping fees	2,204	-	-	6,979	-	-
Organic compost and soil sales	99	-	-	1,230	-	-
RNG sales	186	-	-	825	-	-
Trucking services & other revenue	204	-	-	530	-	-
Total	2,693	-	-	9,564	-	-

Volumes and tip fees realized for the year ended December 31, 2021 were reflective of strong seasonal performance associated with consolidated composting operations. This included the integration of FVB which EverGen began to optimize in line with its focused RNG expansion strategy. RNG production was halted in the fourth quarter of 2021 due to the extraordinary nearly 100-year flooding events which occurred in the Abbotsford and Sumas Prairie regions. The disaster resulted in 108 days of downtime at FVB until production resumed on March 2, 2022. As such, RNG revenues accounted for 7 percent of revenues in the fourth quarter of 2021 compared to 19 percent in the prior quarter. Daily processing volumes at FVB amounted to an average of 270 GJ/day, consistent with normalized volumes prior to the evacuation order and temporary shut-down of the facility. The lost revenues are insurable under the Company's policy and will be offset with insurance proceeds received and to be recognized into net income in 2022.

Tipping revenues are typically lower in the fourth quarter of the year as a result of seasonal fluctuations however were higher than average as a result of post-flood processing. In the fourth quarter of 2021, EverGen generated $2,204 in tipping fees from 26,110 tonnes of incoming organic feedstock compared with third quarter tipping fees of $1,283 from 20,465 tonnes of incoming organic feedstock, a 72 percent revenue increase. The increased tipping revenue relative to the third quarter of 2021 also resulted in correlating increases to cost of goods sold and operating expenses.

EverGen also generates revenue from the sale of high-quality organic compost and soils and hauling services. The Company's organic compost and soil sales are exposed to fluctuations as a result of inherent seasonal demand. In the fourth quarter of 2021, EverGen generated $99 in revenues from 5,119 yards of organic compost and soil sales which is in alignment with seasonal trends. This is compared with third quarter revenues of $245 from 12,532 yards of organic compost and soil sales.

(All amounts in Canadian $000s, unless otherwise indicated)

Cost of goods sold

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Cost of goods sold	954	-	-	2,776	-	-

Cost of goods sold comprises direct costs, including handling, labour, fuel charges and hauling costs associated with RNG production, collection and processing of feedstock for conversion into saleable organic compost and soil. The Company's cost of goods sold is exposed to fluctuations as a result of seasonal weather and the related fluctuations in volumes processed. Cost of goods sold are mainly of a variable nature.

Cost of goods sold increased to $954 or by 166 percent in the fourth quarter of 2021 compared to $359 in the third quarter of 2021 primarily as a result of increased labour, trucking and disposal costs on post-flood cleanup and processing at NZWA. Without the impact of the additional costs incurred by the flood, cost of goods sold would have been $559 or a 56% increase which is generally consistent with the increase in tipping fee revenues for the quarter.

Gross profit

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Gross profit	1,739	-	-	6,788	-	-
% of revenue	65	-	-	71	-	-

The Company's 65 percent gross profit percentage for the fourth quarter is lower compared to the 81 percent gross profit margin for the third quarter of 2021. This decrease is primarily due to decreased RNG revenues as a result of production downtime at FVB and increased costs associated with the floods during the fourth quarter of 2021 as described above. The lost revenues and incremental costs are insurable under the Company's policy and will be offset with insurance proceeds received in 2022.

Operating costs

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Operating costs	1,154	-	-	2,449	-	-

Operating costs are comprised primarily of repairs and maintenance, utilities, licenses and permits, indirect labour and property taxes. Certain operating costs of the Company are exposed to fluctuations as a result of seasonal weather variation and the related fluctuations in volumes processed.

Operating costs increased 77 percent to $1,154 in the fourth quarter of 2021 compared to $652 in the third quarter of 2021. This increase is primarily due to the flooding events which occurred in the Abbotsford and Sumas Prairie regions during the fourth quarter of 2021. Without the impact of the flood related additional costs, operating costs would have been $837 or a 28% increase which is correlated to the increase in tipping fee revenues for the quarter. The Company is fully insured for the flooding events and expects to recover insurance proceeds for lost profits incurred.

(All amounts in Canadian $000s, unless otherwise indicated)

Operating costs of $1,154 for the fourth quarter of 2021 include $706 of repairs and maintenance, $181 of indirect labour and $108 of insurance. Operating costs of $652 in the third quarter of 2021 included $195 of repairs and maintenance, $85 of indirect labour and $70 of property taxes.

General and administrative expenses

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
General and administrative expenses	1,752	328	434	3,773	328	1050

General and administrative expenses consist primarily of labour costs, professional and consulting fees, rent and insurance.

EverGen incurred general and administrative expenses of $1,752 in the fourth quarter of 2021 compared to $334 in the third quarter of 2021. Fourth quarter costs are higher compared to the third quarter of 2021 primarily due to annual bonuses, audit fees, and non-recurring consulting and advisory fees related to the acquisitions and preliminary work to undertake the GrowTEC partnership LOI (see subsequent events). Before year end specific costs and non-recurring items, general and administrative expenses would have been $842 or a 131% increase which is mainly due to fees incurred to begin trading the on the OTCQB® Venture Market, a larger work force, and readying the Company for future growth.

Depreciation and amortization

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Depreciation	246	-	-	926	-	-
Amortization	487	-	-	1,834	-	-
Total	733	-	-	2,760	-	-

Depreciation is recognized on property and equipment and also includes right-of-use assets related to lease contracts. Amortization is recognized on the intangible assets including brands, and customer contracts and stakeholder relationships.

Depreciation and amortization on the NZWA and SSS assets acquired at December 31, 2020 commenced on January 1, 2021 and the Company recorded $246 and $487 of depreciation and amortization, respectively, for the fourth quarter of 2021 which is generally consistent with the third quarter of 2021.

From April 16, 2021, depreciation and amortization comprises newly acquired FVB including $59 of depreciation and $99 of amortization in the fourth quarter of 2021 which is generally consistent with the third quarter of 2021.

Share-based payment expense

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Share-based payment expense	207	1,452	(86)	1,389	1,452	(4)

(All amounts in Canadian $000s, unless otherwise indicated)

Share-based payment expense include various non-cash incentive programs awarded to employees, founders and advisors of EverGen as consideration for services rendered or recognition of incremental fair value of share capital issued.

EverGen recognized $1,389 of share-based payment expense related to its Equity Incentive Plan and PSU Plan for the year ended December 31, 2021 as compared to $1,452 in the prior year. During the year ended December 31, 2021 the Company granted 220,000 Options, 130,000 RSUs, and 27,500 DSUs to employees, consultants, officers and directors. During the year ended December 31, 2020, $1,200 in share-based payment expense was recognized on the issuance of common shares to Founders, and a further $250 was recognized on share-based payment expense to consultants. 600,000 PSUs were also issued on December 31, 2020.

Finance costs

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Interest expense on loans payable	64	-	-	197	-	-
Interest expense on lease liabilities	48	-	-	195	-	-
Other	3	-	-	66	-	-
Total	115	-	-	458	-	-

EverGen's finance costs of $458 for the year ended December 31, 2021 and $115 for the fourth quarter of 2021 are primarily due to interest expense recognized on loans payable, the Company's interest expense on lease liabilities as well as the Company's credit facility entered into in the first quarter of 2021.

Other income

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Contingent consideration gain	(854)	-	-	(1,487)	-	-
Transaction costs	-	741	(100)	49	741	(93)
Other income	(8)	-	-	(221)	-	-

During the year ended December 31, 2021, EverGen recognized a $1,487 contingent consideration gain in re-measuring the contingent consideration liability at fair value at December 31, 2021 taking into account changes in estimated holdbacks, performance obligations and working capital changes.

Transaction costs in 2021 relate to the acquisition of FVB and to the acquisition of NZWA and SSS in 2020.

For the year ended December 31, 2021, the Company earned $221 of other income related primarily to the sale of internally generated carbon emission credits.

(All amounts in Canadian $000s, unless otherwise indicated)

Income taxes

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Current tax recovery	6	-	-	17	-	-
Deferred tax recovery	241	288	(16)	412	288	43
Total tax recovery	247	288	(14)	429	288	49

Income taxes consist of current and deferred income taxes.

The total tax recovery of $429 for the year ended December 31, 2021 and $247 for the fourth quarter of 2021 are mainly due to the losses realized for the periods which have increased the Company's non-capital loss tax pools.

EBITDA and Adjusted EBITDA [1]

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Net loss	(1,113)	(2,227)	(50)	(1,953)	(2,233)	(13)
Tax recovery	(247)	(288)	(14)	(429)	(288)	49
Depreciation and amortization	733	-	-	2,760	-	-
Finance costs	115	-	-	458	-	-
EBITDA	(512)	(2,515)	(80)	836	(2,521)	(133)
Share-based payment expense	207	1,452	(86)	1,389	1,452	(4)
Non-recurring expenses	1,141	322	254	2,052	328	526
Transaction costs	-	741	(100)	49	741	(93)
Contingent consideration gain	(854)	-	-	(1,487)	-	-
Adjusted EBITDA	(18)	-	-	2,839	-	-

[1] Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

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 loss before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense, certain non-cash items and unusual or non-recurring items. EBITDA and adjusted EBITDA are non-GAAP measures as defined in the non-GAAP measures section of this MD&A.

EverGen's negative EBITDA of $512 and negative adjusted EBITDA of $18 in the current quarter as compared to positive EBITDA of $1,854 and adjusted EBITDA of $791 in the third quarter of 2021 is a result of downtime at FVB for which insurance proceeds have already been recovered and will be further recovered in 2022. EverGen's adjusted EBITDA has been adjusted for share-based payments expense, transaction costs, contingent consideration gains and non-recurring expenses comprising primarily consulting and advisory fees related to the acquisitions and preliminary work to undertake the GrowTEC partnership LOI.

(All amounts in Canadian $000s, unless otherwise indicated)

CAPITAL EXPENDITURES

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Capital expenditures – additions to property and equipment	1,004	-	-	1,590	-	-
Capital expenditures – dispositions of property and equipment	-	-	-	(3)	-	-
Capital expenditures – acquisitions	-	24,498	(100)	10,644	24,498	(57)

On April 16, 2021, EverGen acquired FVB for cash consideration of $10,644. On December 30, 2020, EverGen acquired NZWA and SSS for cash consideration of $24,498.

Capital expenditures for the year and in the fourth quarter of 2021 related primarily to EverGen's anaerobic digester expansion project at NZWA and FVB. The project is expected to be completed in 2023 and will provide up to 173,000 gigajoules of RNG annually for injection into FortisBC's natural gas system.

EverGen also signed a two year lease for its new corporate office adding $110 to its right-of-use assets.

SUPPLEMENTAL QUARTERLY INFORMATION

	2021 Dec 31 Q4	2021 Sep 30 Q3	2021 Jun 30 Q2	2021 Mar 31 Q1	2020 Dec 31 Q4	2020 Sep 30 Q3	2020 Jun 30 Q2
FINANCIAL							
Revenue	2,693	1,937	3,349	1,585	-	-	-
Net income (loss)	(1,113)	493	(175)	(1,158)	(2,227)	(5)	-
Net income (loss) per share ($), basic and diluted	(0.08)	0.04	(0.02)	(0.13)	(6.69)	(2,142.16)	(2.73)
EBITDA[1]	(512)	1,854	454	(960)	(2,515)	(6)	-
Adjusted EBITDA[1]	(18)	791	1,863	203	-	(6)	-
Capital expenditures– property and equipment	1,004	428	12	146	-	-	-
Capital expenditures – acquisitions	-	-	10,644	-	24,498	-	-
Total assets	80,610	80,933	64,961	61,912	50,510	104	-
Working capital surplus (deficit)[1]	20,545	21,751	2,310	11,579	(2,842)	(106)	-
Total long-term liabilities	14,764	15,142	15,460	14,347	8,780	-	-
COMMON SHARES (thousands)							
Outstanding, end of period	13,367	13,367	10,287	9,589	8,203	-	-
Weighted average – basic	13,367	12,229	9,819	8,623	333	-	-
Weighted average –diluted	13,367	12,344	9,819	8,623	333	-	-
OPERATING							
Incoming organic feedstock (tonnes)	26,110	20,465	30,647	17,164	-	-	-
Organic compost and soil sales (yards)	5,119	12,532	37,053	7,087	-	-	-
RNG sales (gigajoules)	12,682[2]	23,854	18,845	-	-	-	-

(1) Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.
(2) Reduced as a result of flooding events in the fourth quarter of 2021.

(All amounts in Canadian $000s, unless otherwise indicated)

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of EverGen as at December 31, 2021.

At December 31, 2021, EverGen had cash and cash equivalents of $19,597 (December 31, 2020 - $4,684), restricted cash of $2,688 (December 31, 2020 - $319) and a working capital surplus of $20,910 (December 31, 2020 - $2,842 deficit) which is primarily due to the proceeds from the Initial Public Offering in the third quarter of 2021 and the proceeds from the equity issuance and debt advanced in the first quarter of 2021, offset by the acquisition of FVB in the second quarter of 2021.

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, debt, 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.

Credit facilities

On March 17, 2021, EverGen entered into a credit facility arrangement with a Canadian lender, providing for a senior secured term loan of up 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. The credit facility is secured by the assets of the Company and its subsidiaries.

As at December, 2021, the credit facility has a loans payable balance of $6,458.

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 than 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.

The Company is in compliance with all covenants as at December 31, 2021.

Share capital

As at (thousands)	December 31, 2021	December 31, 2020
Common shares	13,367	8,203
Share warrants	2,682	340
Share rights	-	462
Options	172	-
Performance share units	600	600
Restricted share units	120	-
Deferred share units	28	-
Total outstanding securities	16,969	9,605

(All amounts in Canadian $000s, unless otherwise indicated)

A summary of EverGen's other equity instruments at December 31, 2021 and December 31, 2020 can be found in note 14 to the consolidated financial statements.

On April 20, 2022, the Company had the following outstanding common shares and equity instruments outstanding:

As at (thousands)	April 19, 2022
Common shares	13,367
Share warrants	2,682
Options	127
Performance share units	430
Restricted share units	153
Deferred share units	28
Total outstanding securities	16,787

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 existing organic waste processing facilities and RNG feedstock;
- Securing and optimizing long-term contracts for RNG offtake and feedstock inputs to provide stable low-risk cash flows;
- Acquisition of cash flow generating projects for the early generation of working capital;
- Securing municipal feedstock agreements through developed partnerships and vertically integrated operations;
- Diversification of feedstock suppliers to de-risk our inbound revenue streams;
- Integration of talent, systems and processes across our acquired projects to create efficiencies and best in class operations; and
- Continued growth of project portfolio via strategic acquisitions and consolidation opportunities.

We believe that the Company is uniquely positioned to capture expansion prospects 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. We believe that 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. Overall, there is growing societal expectations of recycling and circular economy solutions.

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. We believe that 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 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, produces 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.

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 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.

Customer contracts risk

The majority of revenues earned by EverGen 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, 2021, the Company had 5 municipal customers who represented 61 percent of revenue. These revenue contracts represent a significant portion of the current revenues reported by the Company. Management does not consider there to be a concentration of risk associated with any one customer.

EverGen is also working in collaboration with local businesses and leading consumer driven businesses to advance the circular economy 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 of 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.

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 year ended December 31, 2021. 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.

Trading risk

On August 4, 2021, EverGen completed its initial public offering. The Company's common shares were listed on the TSX Venture Exchange under the symbol "EVGN" and commenced trading on August 4, 2021.

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.

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 that the counterparty to a financial asset will default, resulting in EverGen incurring a financial loss.

EverGen is exposed to credit risk with respect to its accounts receivable. As at December 31, 2021, the carrying amount of the Company's accounts receivables is $2,122 (December 31, 2020 - $1,515). The

Company's credit risk is concentrated with a few customers, primarily municipal governments. At December 31, 2021, 5 customers represented 72 percent of accounts receivable (December 31, 2020 – 5 customers represented 53 percent of accounts receivable).

Management calculates expected credit losses and establishes a provision for ECLs. The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. Management regularly monitors customer payments and considers the credit worthiness of counterparties and past payment history as well as amounts 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 $19,597 and restricted cash of $2,688 at December 31, 2021 which represents its maximum credit exposure on these assets (December 31, 2020 - $4,684 cash and cash equivalents and $319 restricted cash). The cash is held with major financial institution counterparties and management believes credit risk is minimal.

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 Company enters into leases and contracts that give rise to commitments in the normal course of business for future minimum payments. A summary of EverGen's commitments at December 31, 2021 can be found in note 24 to the consolidated financial statements.

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.

Interest rate risk

EverGen may manage its interest expense using a mix of fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount the Company pays to service variable interest rate debt.

At December 31, 2021, the Company is exposed to interest rate risk with respect to its loans payable. If interest rates were to increase or decrease 50 basis points, the impact on interest expense in net income (loss) for the year ended December 31, 2021 would be $13.

Foreign exchange risk

EverGen 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, 2021.

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in the current period.

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

EverGen's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") 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 EverGen's financial statements include:

- IAS 1 "Presentation of Financial Statements" – Commencing January 1, 2023, the amendments clarify how to classify debt and other liabilities as either current of non-current.
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Commencing January 1, 2023, the amendments introduce a definition of accounting estimates and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- IAS 12 "Income Taxes" - Commencing January 1, 2023, the amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.
- IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use" – Commencing January 1, 2022, the amendments prohibit deducting proceeds from selling items produced while bringing an asset into use.

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.

In preparing and completing an initial public offering and readying and operating EverGen as a venture reporting issuer, the Company has standardized pre-existing control systems at each of the acquired entities and is further strengthening EverGen's internal control environment.

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

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:

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	% Change	Year ended Dec 31, 2021	Period ended Dec 31, 2020	% Change
Share-based payment expense	197	1,202	(84)	1,306	1,202	9
Salaries and benefits	194	-	-	767	-	-
Consulting fees	-	256	(100)	-	256	(100)
Total	391	1,458	(73)	2,073	1,458	42

NON-GAAP MEASUREMENTS

EverGen uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by IFRS. The following terms: "EBITDA", "adjusted EBITDA", 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 performance and ability to generate cash, profitability and meet financial commitments.

These non-GAAP measures are 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, adjusted EBITDA and operating profit key metrics in analyzing operational performance and the Company's 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. 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. A reconciliation of the non-GAAP measures, EBITDA, adjusted EBITDA, and operating profit to the applicable IFRS measure can be found under the Results of Operations section of this MD&A.

Working capital

Working capital for EverGen is calculated as current assets less current liabilities. The following table provides a reconciliation of working capital, a non-GAAP measure to the applicable IFRS measurements for the Company:

As at December 31	2021	2020
Current assets	25,019	6,979
Current liabilities	(4,474)	(9,821)
Working capital surplus (deficit)	20,545	(2,842)

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, SSS, FVB and GrowTEC;
- The sufficiency of EverGen's liquidity to fund operations and to comply with covenants under its credit facility;
- Continued growth through strategic acquisitions and consolidation opportunities;
- The establishment and realization of a circular economy through the Company's organic waste management facilities and the expansion and development of renewable energy;
- Continued growth of the feedstock opportunity from municipal and commercial sources;
- Developing strategic partnerships and advancing RNG project pipeline;
- Incurring prospective transaction costs;
- The utilization of non-capital losses against future taxable income;
- The conversion of Special Warrant Unit Shares to common shares of the Company upon the exercise or deemed exercise on the Automatic Exercise Date;
- Negotiating increased prices for existing RNG offtake contracts;
- Planned construction on the anaerobic digester at its NZWA facility with the expectation to begin supplying FortisBC with RNG from this facility by the end of 2022;
- The anaerobic digester project at NZWA converting municipal and commercial organic waste into energy to meet the needs of approximately 1,900 residential homes; and
- Planned expansion of the RNG producing facility at FVB and GrowTEC

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.

EVERGEN
Infrastructure Corp.

Consolidated Financial Statements
For the year ended December 31, 2021

Independent auditor's report

To the Shareholders of EverGen Infrastructure Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EverGen Infrastructure Corp. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and the period from incorporation on May 13, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of net loss and comprehensive loss for the year and period then ended;
- the consolidated statements of changes in shareholders' equity for the year and period then ended;
- the consolidated statements of cash flows for the year and 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
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

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.

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 19, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Canadian $000's)

As at December 31	Notes	2021	2020
Current assets			
Cash and cash equivalents	5	19,597	4,684
Restricted cash	5	2,688	319
Accounts receivable	6	2,122	1,515
Prepaid expenses and other assets		203	112
Inventories		187	127
Carbon emission credits		222	222
		25,019	6,979
Property and equipment	7	17,007	11,597
Intangible assets	8	24,376	20,960
Goodwill	9	14,208	10,974
Total assets		80,610	50,510
Current liabilities			
Accounts payable and accrued liabilities	10	3,197	3,941
Loans payable	11	700	-
Lease liabilities	12	298	225
Contingent consideration	13	279	5,655
		4,474	9,821
Lease liabilities	12	2,999	3,229
Loans payable	11	5,758	-
Deferred tax	19	6,007	5,551
Total liabilities		19,238	18,601
Shareholders' equity			
Share capital	14	60,597	32,790
Share warrants	14	3,484	1,068
Share rights	14	-	32
Contributed surplus	14	1,477	252
Accumulated deficit		(4,186)	(2,233)
Total shareholders' equity		61,372	31,909
Total liabilities and shareholders' equity		80,610	50,510

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

Commitments	24
Subsequent events	26

On behalf of the board of directors:

Chase Edgelow, Director

Mary Hemmingsen, Director

CONSOLIDATED STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS

(Canadian $000s, except per share amounts)

For the year/period ended December 31	Notes	2021	2020
Revenue	15	9,564	-
Cost of goods sold		(2,776)	-
Gross profit		6,788	-
Operating costs		(2,449)	-
General and administrative expenses	16	(3,773)	(328)
Depreciation and amortization	7,8	(2,760)	-
Share-based payment expenses	14	(1,389)	(1,452)
Finance costs	17	(458)	-
Contingent consideration gain	13	1,487	-
Transaction costs	4	(49)	(741)
Other income	18	221	-
Net loss before taxes		(2,382)	(2,521)
Tax recovery	19	429	288
Net loss and comprehensive loss		(1,953)	(2,233)
Loss per share – basic and diluted	20	($0.18)	$ (17.05)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Canadian $000's)

(Canadian $000's)	Notes	Share capital	Share warrants	Share rights	Contributed surplus	Accumulated deficit	Total
Balance, May 13, 2020		-	-	-	-	-	-
Net loss for the period		-	-	-	-	(2,233)	(2,233))
Share-based payments expense		-	-	-	1,452	-	1,452
Issuance of common shares to Founders		1,300	-	-	(1,200)	-	100
Common shares issued on private placements		29,883	-	-	-	-	29,883
Common shares issued in exchange for advisor services		210	-	-	-	-	210
Common shares issued as consideration for acquisitions		3,889	-	-	-	-	3,889
Share issue costs, net of tax		(2,492)	-	-	-	-	(2,492)
Share warrants issued for advisor and broker services on private placements		-	1,068				1,068
Share rights issued on private placement		-	-	32	-	-	32
Balance, December 31, 2020		**32,790**	**1,068**	**32**	**252**	**(2,233)**	**31,909**
Net loss for the period		-	-	-	-	(1,953)	(1,953)
Share-based payments expense	14	-	-	-	1,389	-	1,389
Capitalized share-based payments		-	-	-	86	-	86
Common shares issued on private placements	14	2,320	-	-	-	-	2,320
Common shares issued in exchange for consulting services in connection with acquisitions	14	250			(250)		-
Special Warrant Financing	14	7,225	1,250	-	-	-	8,475
Common shares issued in exchange for advisor services in connection with Special Warrant Financing	14	95	-	-	-	-	95
Broker Options issued as consideration for broker services in connection with Special Warrant Financing brokered private placement	14	-	41	-	-	-	41
Broker Unit Warrants issued as consideration for broker services in connection with Special Warrant Financing brokered private placement	14	-	44	-	-	-	44
Finder Warrants issued as consideration for services in connection with Special Warrant Financing non-brokered private placement	14	-	12	-	-	-	12
Common shares issued as consideration for acquisitions	14	1,000	-	-	-	-	1,000
Common shares issued on satisfaction of share rights	14	32	-	(32)	-	-	-
Initial Public Offering	14	19,034	986	-	-	-	20,020
Over-allotment Share Warrant Units issued	14	-	83	-	-	-	83
Share issue costs, net of tax	14	(2,149)	-	-	-	-	(2,149)
Balance, December 31, 2021		**60,597**	**3,484**	**-**	**1,477**	**(4,186)**	**61,372**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Canadian $000's)

For the year/period ended December 31	Notes	2021	2020
Operating activities			
Net loss		(1,953)	(2,233)
Items not affecting cash:			
Depreciation and amortization	7,8	2,760	-
Share-based payment expenses	14	1,389	1,452
Contingent consideration gain	13	(1,487)	-
Deferred income tax recovery	19	(412)	(288)
Changes in non-cash working capital	23	(2,216)	1,023
Net cash flow used in operating activities		(1,919)	(46)
Investing activities			
Acquisitions	4	(10,644)	(24,498)
Cash and cash equivalents included in acquisitions	4	119	971
Additions to property and equipment	7	(1,590)	-
Disposition of property and equipment	7	3	-
Contingent consideration payments	13	(3,889)	,-
OIP grant funds received		368	-
Changes in non-cash working capital	23	645	-
Net cash flows used in investing activities		(14,988)	(23,527)
Financing activities			
Advance of loans payable		7,000	-
Repayment of principal portion of loans payable		(542)	-
Repayment of principal portion of lease liabilities		(267)	-
Proceeds from Special Warrant Financing	14	8,475	-
Proceeds from private placements	14	2,320	29,915
Proceeds from Initial Public Offering	14	20,020	-
Proceeds from Over-Allotment Warrants	14	83	-
Share issue costs	14	(2,681)	(1,663)
Funds advanced by Founder shareholders		-	100
Changes in non-cash working capital	23	(219)	224
Net cash flows from financing activities		34,189	28,576
Net change in cash		17,282	5,003
Cash and cash equivalents, beginning of the year/period		5,003	-
Cash and cash equivalents, end of year/period	5	22,285	5,003

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

(All amounts in Canadian $000's, unless otherwise indicated)

1. REPORTING ENTITY

EverGen Infrastructure Corp. ("EverGen" or the "Company") operates two Gore Cover™ organic waste management facilities and one renewable natural gas ("RNG") production facility 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 owns one and has plans to develop further anaerobic digestion infrastructure for the production and sale of RNG.

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

The Company's common shares are listed on the TSX Venture Exchange under the symbol "EVGN" and commenced trading on August 4, 2021.

The Company has the following subsidiaries, each owned 100 percent, at December 31, 2021:

Name of subsidiary	Jurisdiction
Net Zero Waste Abbotsford Inc.	British Columbia, Canada
Sea to Sky Soils and Composting Inc.	British Columbia, Canada
Fraser Valley Biogas Ltd.	British Columbia, Canada

On December 31, 2020, the Company completed a plan of arrangement (the "Arrangement") with Net Zero Waste Abbotsford Inc. ("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.

Effective April 16, 2021, EverGen acquired all of the issued and outstanding shares of Fraser Valley Biogas Ltd. ("FVB"). FVB owns and operates a biogas facility in Abbotsford, British Columbia which sells RNG under a long-term contract with FortisBC.

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

The Company's principal place of business is located at 390 – 1050 Homer Street, Vancouver, British Columbia and its registered office is located at 1200 Waterfront Centre, 200 Burrard Street Vancouver, British Columbia

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") 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, 2021. These consolidated financial statements were approved and authorized for issuance by EverGen's board of directors on April 19, 2022.

b) Basis of measurement, functional and presentation currency

These financial statements are presented in Canadian dollars, EverGen's functional currency, and on a historical cost basis.

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

At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to property and equipment and intangible assets. If any such indicator exists, then an impairment test is performed by management to determine whether carrying amounts exceed recoverable values. 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. At December 31, 2021, the Company identified indicators of impairment on its NZWA and FVB CGUs due to flooding events which occurred in the Abbotsford and Sumas Prairie regions. The assessment concluded that no impairment was required on the assets.

Goodwill is tested for impairment at least annually.

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 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.

d) Recent developments and impact on estimation uncertainty

Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports have been published with increasing concern over the impacts of climate issues and emissions of greenhouse gas into the environment. EverGen's business model is built around a transition to reducing carbon emissions and the Company is committed to advancing Environmental, Social and Governance ("ESG") platform to help address key climate-related risks. There have been recent developments in the ESG frameworks and regulatory initiatives and these developments could impact EverGen's accounting estimates and judgements. The Company monitors and will continue to monitor developments related to climate change as they affect its consolidated financial statements.

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, sale of RNG, 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 and RNG 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 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.

d) Cost of goods sold

Cost of goods sold comprises 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 comprise 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) Insurance proceeds

Insurance proceeds are recognized when it is virtually certain that an inflow of economic benefits will arise. Proceeds related to assets are recorded as a reduction to those assets, or as a reversal of impairment if the underlying asset was impaired in a previous period. Proceeds related to recoveries of expenses or lost revenues are recorded in other income.

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 asset, including the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. 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	5 – 15 years
Right-of-use assets	2 – 19 years
Assets under construction	N/A

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

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. If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of value in use ("VIU") and fair value less costs of disposal ("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 the consolidated statements of 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 the consolidated statements of net loss and comprehensive loss.

Goodwill is evaluated for impairment on an annual basis or more frequently if an event occurs or circumstances change that would indicate that the recoverable amount of a reporting unit was below its carrying value. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is charged to Impairment expense, net on the consolidated statements loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

o) 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.

p) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss 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.

q) 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.

r) 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.

s) Per share amounts

Basic loss per share is calculated by dividing the net 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.

t) 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 consideration and lease liabilities. Financial instruments are recognized when EverGen becomes party to the contractual provisions of the instrument. Upon initial recognition, a financial asset is measured at: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). Financial liabilities are measured at amortized cost or, in the case of contingent consideration, FVTPL.

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.

EverGen recognizes loss allowances for expected credit losses ("ECLs") on its trade receivables. ECLs are a probability-weighted estimate of credit losses. 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. Loss allowances for financial assets measured at amortized cost, if any, are deducted from the gross carrying amount of the asset.

u) Related party transactions

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

v) 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:

- IAS 1 "Presentation of Financial Statements" – Commencing January 1, 2023, the amendments clarify how to classify debt and other liabilities as either current of non-current.
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Commencing January 1, 2023, the amendments introduce a definition of accounting estimates and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- IAS 12 "Income Taxes" – Commencing January 1, 2023, the amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.
- IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use" – Commencing January 1, 2022, the amendments prohibit deducting proceeds from selling items produced while bringing an asset into use.

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 April 16, 2021, EverGen acquired all the issued and outstanding common shares of Fraser Valley Biogas Ltd., a private company, in exchange for cash consideration of $10,644, and 125,000 EverGen common shares. FVB owns and operates a biogas facility in Abbotsford, British Columbia, which sells RNG under a long-term contract with FortisBC. The common shares were valued at $8.00 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 operational synergies with EverGen's existing projects; expected future cash flows generated from the ability to grow the development of anaerobic digestion infrastructure and eventual sale of RNG and the recognition of a deferred tax liability generated by the recognition of the fair value of the net assets acquired.

(All amounts in Canadian $000's, unless otherwise indicated)

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:

	FVB
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	119
Accounts receivable	177
Prepaid expenses	28
Property and equipment	4,553
Intangible assets	5,250
Goodwill	3,234
Accounts payable and accrued liabilities	(125)
Deferred tax liabilities	(1,592)
Fair value of net assets acquired	**11,644**
Consideration paid	
Cash	10,644
Common shares	1,000
Contingent consideration	-
Total consideration paid	**11,644**

The 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.

Intangible assets consist of customer contracts and relationships valued at $5,250.

The consolidated statement of comprehensive loss includes the results of operations for the period following the close of the transaction on April 16, 2021. EverGen incurred transaction costs of $49 in conjunction with the acquisition, all of which have been expensed in the year ended December 31, 2021.

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 acquisition had occurred on January 1, 2021, EverGen's consolidated revenue and net income (loss) would have increased by $531 and $161, respectively.

5. RESTRICTED CASH

The Company's restricted cash of $2,688 at December 31, 2021 (December 31, 2020 - $319) comprises acquisition holdbacks held in escrow.

6. ACCOUNTS RECEIVABLE

At December 31	2021	2020
Trade and other receivables	2,045	1,068
Organic Infrastructure Program receivable	77	447
Total	**2,122**	**1,515**

(All amounts in Canadian $000's, unless otherwise indicated)

7. PROPERTY AND EQUIPMENT

	Land	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Assets under construction	Total
Cost						
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
Additions	-	363	213	110	1,014	1,700
Capitalized share-based payments	-	-	-	-	86	86
Dispositions	-	-	(3)	-	-	(3)
Acquisition of FVB (note 3)	3,238	500	815	-	-	4,553
At December 31, 2021	**3,238**	**5,422**	**4,609**	**3,564**	**1,100**	**17,933**
Accumulated depreciation						
At December 31, 2020	-	-	-	-	-	-
Depreciation	-	273	327	326	-	926
At December 31, 2021	**-**	**273**	**327**	**326**	**-**	**926**
Carrying value						
At December 31, 2020	-	4,559	3,584	3,454	-	11,597
At December 31, 2021	**3,238**	**5,149**	**4,282**	**3,238**	**1,100**	**17,007**

EverGen's ROU assets include the following leases under various terms: the land on which it operates, equipment used in operations, and office space.

Assets under construction are not subject to depreciation until the assets are available for use. Land is not subject to depreciation.

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment or reversal of impairment. At December 31, 2021, the Company identified indicators of impairment on its NZWA and FVB CGUs due to flooding events which occurred in the Abbotsford and Sumas Prairie regions. An impairment is recognized if the carrying value of a CGU exceeds the estimated recoverable amount for that CGU. The Company determines the recoverable amount by using the greater of fair value less cost to sell and value-in-use ("VIU"). At December 31, 2021, the Company used VIU, derived as present value of the future cash flows expected to arise from the continuing use of the CGUs and no impairment was recognized as the VIU sufficiently supported carrying values.

(All amounts in Canadian $000's, unless otherwise indicated)

8. INTANGIBLE ASSETS

	Brands	Customer contracts and stakeholder relationships	Total
Cost			
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
Acquisition of FVB (note 3)	-	5,250	5,250
At December 31, 2021	1,180	25,030	26,210
Accumulated amortization			
At December 31, 2020	-	-	-
Amortization	59	1,775	1,834
At December 31, 2021	59	1,775	1,834
Carrying value			
At December 31, 2020	1,180	19,780	20,960
At December 31, 2021	1,121	23,255	24,376

As at December 31, 2021, there were no indicators of impairment related to intangible assets.

9. GOODWILL

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

At December 31	2021	2020
Net Zero Waste Abbotsford	3,420	3,420
Sea to Sky Soils	7,554	7,554
Fraser Valley Biogas (note 4)	3,234	-
	14,208	10,974

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31	2021	2020
Trade payables and accrued liabilities	3,197	3,425
Taxes payable	-	516
	3,197	3,941

(All amounts in Canadian $000's, unless otherwise indicated)

11. LOANS PAYABLE

	Total
At December 31, 2020	-
Advances	7,000
Interest expense (note 17)	197
Loan payments	(739)
At December 31, 2021	**6,458**
Less current portion	**(700)**
Long-term portion	**5,758**

On March 17, 2021, EverGen entered into a credit facility arrangement with a Canadian lender, 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. The credit facility is secured by the assets of the Company and its subsidiaries.

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 than 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.

As at December 31, 2021 the Company is in compliance with all covenants.

12. LEASE LIABILITIES

	Total
At December 31, 2020	3,454
Additions	110
Interest expense (note 17)	195
Lease payments	(462)
At December 31, 2021	**3,297**
Less current portion	**(298)**
Long-term portion	**2,999**

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 $000's, unless otherwise indicated)

13. CONTINGENT CONSIDERATION

	Total
At December 31, 2020	5,655
Contingent consideration payments	(3,889)
Contingent consideration gain on fair value adjustment of liability	(1,487)
At December 31, 2021	**279**

At December 31, 2020, the Company recognized $5,655 of contingent consideration related to the acquisitions of NZWA and SSS. The contingent consideration included holdback amounts and working capital adjustments. During the year ended December 31, 2021, pursuant to the NZWA and SSS share purchase agreements, EverGen made contingent consideration payments of $3,889 consisting of standard indemnity holdbacks of $3,389 that were released to the vendors and performance driven holdbacks of $500 that were released to the vendors.

EverGen recognized a $1,487 contingent consideration gain in re-measuring the liability at fair value at December 31, 2021 taking into account changes in estimated holdbacks, performance obligations and working capital changes.

14. 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 to the Founders at incorporation	-	-
Common shares issued to Founders	1,400	1,300
Issuance on non-brokered private placement	1,366	6,830
Issuance in exchange for advisor services in connection with non-brokered private placement	42	210
Issuance on brokered private placement	4,617	23,053
Issuance as consideration for acquisitions of NZWA and SSS	778	3,889
Share issue costs, net of tax effect	-	(2,492)
At December 31, 2020	**8,203**	**32,790**
Issuance on non-brokered private placements	375	2,320
Issuance in exchange for consulting services in connection with acquisitions	50	250
Issuance of Special Warrant Unit Shares in connection with the Special Warrant Financing (1)	1,059	7,225
Issuance in exchange for advisor services in connection with the Special Warrant Financing	13	95
Issuance as consideration for acquisition of FVB	125	1,000
Issuance on satisfaction of share rights (see share rights)	462	32
Issuance on Initial Public Offering	3,080	19,034
Share issue costs, net of tax effect		(2,149)
At December 31, 2021	**13,367**	**60,597**

(1) See Share Warrants section below.

The following common shares were issued during the year ended December 31, 2021:

(All amounts in Canadian $000's, unless otherwise indicated)

Private placements of common shares

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

In addition, during the year ended December 31, 2021, EverGen completed other private placements of 10,000 common shares at $5.00 per common share for gross proceeds of $50.

Common shares issued to consultants and advisors

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.

On March 18, 2021, the Company issued 13,500 common shares with a fair value of $7.00 per common share for $95 of advisor services rendered in connection with the Special Warrant Financing, see share warrants below.

Issued on acquisition

On April 16, 2021, EverGen acquired all the issued and outstanding common shares of FVB in exchange for cash consideration of $10,644, and 125,000 EverGen common shares valued at $8.00 per common share using the share price of EverGen on the acquisition date.

Initial Public Offering

On August 4, 2021, EverGen completed an initial public offering (the "Initial Public Offering" or "IPO") of 3,080,000 units (the "IPO Units") of the Company at a price of $6.50 per IPO Unit (the "IPO Price"), for aggregate gross proceeds of $20,020.

The Company's common shares were listed on the TSX Venture Exchange under the symbol "EVGN" and commenced trading on August 4, 2021.

Each IPO Unit consisted of one common share of the Company and one-half of one common share purchase warrant ("IPO Warrant"). Each whole IPO Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $10.50 until August 4, 2023.

EverGen used the $6.18 opening TSX Venture Exchange share price on August 4, 2021 as Level 1 input for the common share fair value and allocated the remaining $0.32 balance of the IPO Price as the fair value per half an IPO Warrant ($0.64 per IPO Warrant) and recognized $19,034 of gross proceeds in share capital and the balance of $986 in share warrants.

c) Share issue costs

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

For the year/period ended December 31	2021	2020
Advisor services settled by common share issuance	95	210
Advisor/broker services settled by share warrant issuance	97	1,068
Share issue costs paid in cash or accrued	2,681	1,663
Tax effect of share issue costs	(724)	(449)
Total	2,149	2,492

(All amounts in Canadian $000's, unless otherwise indicated)

d) Share warrants

	Number of share warrants (thousands)	Exercise price	Expiry date	Amount
At May 13, 2020	-			-
Issuance of share warrants as consideration for broker services in connection with brokered private placement	277	$5.00	Dec 22, 2022	870
Issuance of share warrants as consideration for advisor services in connection with non-brokered private placement	63	$5.00	Dec 30, 2022	198
At December 31, 2020	340			1,068
Issuance of Special Warrant Unit Warrants in connection with Special Warrant Financing	530	$10.50	Jul 20, 2022	1,250
Issuance of Broker Options as consideration for broker services in connection with Special Warrant Financing brokered private placement	23	$9.40	Jul 20, 2021	41
Issuance of Broker Unit Warrants as consideration for broker services in connection with Special Warrant Financing brokered private placement	11	$10.50	Jul 20, 2022	44
Issuance of Finder Warrants as consideration for services in connection with Special Warrant Financing non-brokered private placement	7	$9.40	Jul 20, 2022	12
Issuance of IPO Warrants in connection with IPO [1]	1,540	$10.50	Aug 4, 2023	986
Issuance of OA Warrants	231	$10.50	Aug 4, 2023	83
At December 31, 2021	2,682			3,484

(1) See Initial Public Offering section above

The following share warrants were issued during the year ended December 31, 2021:

Special Warrant Financing

On March 18, 2021, EverGen completed a private placement of 1,059,325 Special Warrants at $8.00 per unit for aggregate gross proceeds of $8,475 (the "Special Warrant Financing").

Each Special Warrant entitled its holder to receive one Special Warrant Unit at no additional cost. The Special Warrants were automatically exercised on July 20, 2021.

Each Special Warrant Unit is comprised of:

- One Common Share ("Special Warrant Unit Share") and
- One-half of one Common Share purchase warrant (each whole Common Share purchase warrant, "Special Warrant Unit Warrant").

Management determined that the Special Warrants are equity instruments, see note 2, and EverGen has included the 1,059,325 Special Warrant Unit Shares as part of share capital and included the 529,662 Special Warrant Unit Warrants as part of share warrants, see share warrants below.

EverGen determined a fair value of $2.36 per Special Warrant Unit Warrant, see share warrants below and recognized $1,250 of gross proceeds in share warrants and the balance of $7,225 in share capital. Issue costs related to the Share Warrant Financing were recognized as share issue costs and a reduction of share capital.

(All amounts in Canadian $000's, unless otherwise indicated)

The estimated fair value of the Special Warrant Unit Warrants was calculated at the date of grant using the Black-Scholes model and the following weighted-average assumptions:

For the year ended December 31, 2021	Special Warrant Unit Warrants
Share price on grant date	7.00
Exercise price	10.50
Fair value per warrant	2.36
Expected volatility (percent)	80
Risk-free interest rate (percent)	0.27
Expected forfeiture rate (percent)	-
Expected life (years)	2.18
Expected dividend yield	-

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 holder behavior and the contractual maturity of the instrument and the risk-free interest rate is based on Government of Canada bonds of a similar duration.

In connection with the brokered private placement, the Company:

- Paid to the agents a cash fee equal to 6 percent of the gross proceed; and
- Issued to the Special Warrant Agents 22,686 Broker Options.

  Each Broker Option exchanged into one Broker Warrant on the Automatic Exercise Date, with each Broker Warrant being exercisable for one unit of the Company (a "Broker Unit") at a price of $8.00 for 12 months following the Automatic Exercise Date. Each Broker Unit is comprised of:

  - One Common Share (a "Broker Unit Share"); and
  - One-half of one Common Share purchase warrant (each whole Common Share purchase warrant, "Broker Unit Warrant").

  Each Broker Unit Warrant entitles the holder thereof to acquire one Common Share (a "Broker Warrant Share") at a price of $10.50 for a period of 24 months from the Automatic Exercise Date.

  Additionally, in connection with the non-brokered private placement, the Company:

- Paid the finder a fee equal to 6 percent of the gross proceeds from 225,000 Special Warrants sold to subscribers introduced by the finder, which was settled by:
  - Issuing 13,500 Common Shares at a price of $8.00 per Common Share to the finder; and
  - Issued 6,750 Finder Warrants exercisable for one Common Share (a "Finder Warrant Share") at a price of $8.00 for 12 months following the Automatic Exercise Date.

(All amounts in Canadian $000's, unless otherwise indicated)

The estimated fair values of the Broker Options, the Broker Unit Warrants and the Finder Warrants were calculated at the date of grant using the Black-Scholes model and the following weighted-average assumptions:

For the year ended December 31, 2021	Broker Options	Broker Unit Warrants	Finder Warrants
Share price on grant date	7.00	n/a	7.00
Expected share price on the Automatic Exercise Date	n/a	9.40	n/a
Exercise price	9.40	10.50	9.40
Fair value per warrant	1.80	3.92	1.80
Expected volatility (percent)	83	80	83
Risk-free interest rate (percent)	0.16	0.27	0.16
Expected forfeiture rate (percent)	-	-	-
Expected life (years)	1.18	2.18	1.18
Expected dividend yield	-	-	-

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 holder behavior, the contractual maturity of the instrument and a probability-weighted estimate of the Automatic Exercise Date, and the risk-free interest rate is based on Government of Canada bonds of a similar duration.

IPO over-allotment option

In connection with the IPO, the Company also granted the underwriters with an over-allotment option ("OAO") to purchase up to an additional 462,000 over-allotment warrants ("OA Warrants") at $0.36 each, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the IPO. Each OA Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $10.50 until August 4, 2023.

On September 3, 2021, the Company closed the OAO as underwriters exercised their option to purchase 231,000 OA Warrants for aggregate gross proceeds of $83 on the warrant issue.

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 and December 31, 2021	462	32
Issuance of common shares on satisfaction of share rights	(462)	(32)
At December 31, 2021	-	-

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

- The Company's common shares being listed on a recognized Canadian stock exchange; and
- A concurrent financing to raise minimum gross proceeds of at least $10,000.

On June 22, 2021, the deadline for completing a liquidity event expired and the holders of these 461,699 share rights were issued an additional 461,699 common shares for no additional consideration.

(All amounts in Canadian $000's, unless otherwise indicated)

f) Share-based incentive programs and payment plans

Equity Incentive Plan

On March 18, 2021, the Company adopted the Equity Incentive Plan, which provides for the grant of equity-based compensation awards including stock options ("Options"), restricted share units ("RSUs"), and deferred share units ("DSUs").

The purpose of the Equity Incentive Plan is to advance the interests of the Company by providing an incentive to the directors, officers, employees and consultants of the Company, and any of its subsidiaries and affiliates, to align growth objectives of the Company and participants, to associate a portion of the participants' compensation with the Company's long-term performance and to attract to and retain in the employment. The total number of PSUs, Options, RSUs and DSUs that can be granted pursuant to the Equity Incentive Plan is equal to 20 percent of the issued and outstanding Common Shares (on a non-diluted basis) calculated as of the date the Company is listed on the TSX Venture Exchange.

EverGen classifies these share-based compensation instruments as equity-settled and follows the fair value method of valuing these 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.

Options

The Company has the following outstanding Options at December 31, 2021:

	Number of Options	Weighted average exercise price
Outstanding at December 31, 2020	-	-
Granted	220	9.53
Forfeited	(48)	9.40
Outstanding at December 31, 2021	**172**	**9.57**

On March 18, 2021, the Company granted 195,000 Options to officers, employees and consultants of the Company at an exercise price equal to the offering price in the anticipated initial public offering of the Company. These Options vest evenly over a period of three years and are exercisable for a period of seven years from the grant date to purchase one common share for each Option held.

On September 8, 2021, the Company granted 25,000 Options to a consultant of the Company at an exercise price of $10.50 each. These Options vest immediately and are exercisable for a period of two years from the grant date to purchase one common share for each Option held. The Company recognized $40 of share-based payment expense related to these Options for the year ended December 31, 2021.

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

For the year ended December 31, 2021	Mar 18, 2021 Options	Sep 8, 2021 Options
Share price on grant date	7.00	5.85
Expected exercise price	9.40	10.50
Fair value per Option	4.45	1.59
Expected volatility (percent)	75	80
Risk-free interest rate (percent)	0.53	0.39
Expected forfeiture rate (percent)	10	-
Expected life (years)	7	2
Expected dividend yield	-	-

(All amounts in Canadian $000's, unless otherwise indicated)

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 year ended December 31, 2021, $292 of share-based payment expense related to Options was recognized in net income (loss).

PSUs, RSUs and DSUs

The Company has the following outstanding PSUs, RSUs and DSUs at December 31, 2021:

	Number of PSUs	Number of RSUs	Number of DSUs
Outstanding at December 31, 2020	600	-	-
Granted	-	130	28
Forfeited	-	(10)	-
Outstanding at December 31, 2021	**600**	**120**	**28**

Performance share units

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.

For the year ended December 31, 2021, $775 of share-based payment expense related to PSUs was recognized in net income (loss).

Restricted share units

On March 18, 2021, the Company granted 17,500 RSUs to an officer and consultants of the Company which vest over a three year period.

On June 29, 2021, the Company granted 100,000 RSUs to an officer of the Company that will vest at the end of 30 months from the grant date.

On September 8, 2021, the Company granted 12,500 RSUs to employees and consultants of the Company which vest over a three year period.

The estimated fair values of the RSUs were calculated at the date of grant using the Black-Scholes model and the following assumptions:

For the year ended December 31, 2021	Mar 18, 2021 RSUs	Jun 29, 2021 RSUs	Sep 8, 2021 RSUs
Share price on grant date	7.00	6.50	5.85
Fair value per RSU	7.00	6.50	5.85
Expected volatility (percent)	75	75	74
Risk-free interest rate (percent)	0.53	0.54	0.49
Expected forfeiture rate (percent)	10	-	10
Expected life (years)	3.00	2.50	3.00
Expected dividend yield	0.00	0.00	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.

(All amounts in Canadian $000's, unless otherwise indicated)

For the year ended December 31, 2021, $130 of share-based payment expense related to RSUs was recognized in net income (loss).

Deferred share units

On March 18, 2021, the Company granted 27,500 DSUs to its directors.

The estimated fair value of the DSUs on the date of the grant was based on the prevailing $7.00 per common share fair value on the grant date. The Company classifies DSUs as equity-settled. As DSUs fully vest upon being granted, the share-based payment expense of these instruments was recognized in full on the grant date.

For the year ended December 31, 2021, $192 of share-based payment expense related to DSUs was recognized in net income (loss).

Share-based payments recognized in net loss

For the year/period ended December 31	2021	2020
Options	292	-
PSUs	775	2
RSUs	130	-
DSUs	192	-
Issuance of common shares to Founders	-	1,200
Share-based payment expense to consultant	-	250
Total	1,389	1,452

For the year ended December 31, 2021, the Company recorded $192 of share-based payments directly in equity (December 31, 2020 - $1,278).

15. REVENUE

For the year/period ended December 31	2021	2020
Tipping fees	6,979	-
Organic compost and soil sales	1,230	-
RNG sales	825	-
Trucking services & other revenue	530	-
Total	9,564	-

16. GENERAL AND ADMINISTRATIVE EXPENSES

For the year/period ended December 31	2021	2020
Professional and consulting fees	1,950	281
Salaries and wages	1,156	-
Other	667	47
Total	3,773	328

(All amounts in Canadian $000's, unless otherwise indicated)

17.FINANCE COSTS

For the year/period ended December 31	2021	2020
Interest expense on loans payable (note 11)	197	-
Interest expense on lease liabilities (note 12)	195	-
Other	66	-
Total	458	-

18. OTHER INCOME

For the year/period ended December 31	2021	2020
Sale of carbon tax credits	168	-
Rental and other income	53	-
Total	221	-

19. INCOME TAXES

The Company recognized the following income taxes:

For the year/period ended December 31	2021	2020
Current tax recovery	17	-
Deferred tax recovery	412	288
Tax recovery	429	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 taxes calculated at the statutory rate with the recorded income taxes:

For the year/period ended December 31	2021	2020
Net loss before income tax	2,382	2,521
Statutory income tax rate (percent)	27.0	27.0
Expected income tax recovery at statutory rate	643	681
Effect on taxes resulting from:		
Non-deductible expenses and other	(214)	(393)
Tax recovery	429	288

(All amounts in Canadian $000's, 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 December 31, 2020	Recognized in net loss	Recognized in equity	Recognized on acquisitions (note 4)	Balance at December 31, 2021
Deferred income tax liabilities					
Property and equipment	1,503	292	-	174	1,969
Intangible assets	5,658	(495)	-	1,418	6,581
Carbon emission credits	60	-	-	-	60
	7,221	(203)	-	1,592	8,610
Deferred income tax assets					
Non-capital losses	(379)	(453)	-	-	(832)
Share issue costs	(359)	202	(724)	-	(881)
Lease liabilities	(932)	42	-	-	(890)
	(1,670)	(209)	(724)	-	(2,603)
Deferred income tax liabilities	5,551	(412)	(724)	1,592	6,007

At December 31, 2021, EverGen has approximately $15,254 of tax pools available for future deduction against taxable income.

20. LOSS PER SHARE AMOUNTS

Basic and diluted loss per share for the period have been calculated on the basis of the weighted average number of common shares outstanding as follows:

For the years ended December 31	2021	2020
Net income (loss) attributable to shareholders	(1,953)	(2,233)
Weighted average common shares outstanding (thousands)		
Issued common shares at beginning of period	8,203	-
Effect of private placement issuances	331	31
Effect of Special Warrant Unit Shares issued in connection with Special Warrant Financing[(1)]	839	-
Effect of shares issued to consultants, finders or advisors	57	10
Effect of shares issued on acquisition	89	3
Issuance on satisfaction of share rights	244	-
Effect of Initial Public Offering issuances	1,266	-
Effect of conversion of convertible debenture features	-	87
		-
Weighted average common shares outstanding – basic and diluted	11,029	131
Loss per share - basic and diluted	($0.18)	($17.05)

21. 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, and lease liabilities.

Cash and cash equivalents, accounts receivable, 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 approximate their fair value due to the short-term maturity of those instruments.

The fair value of carbon emission credits are 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 are initially measured at fair value and are remeasured at each reporting date.

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.

Interest rate risk

EverGen may manage its interest expense using a mix of fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount the Company pays to service variable interest rate debt.

At December 31, 2021, 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.

At December 31, 2021, the Company is exposed to interest rate risk with respect to its loans payable. If interest rates were to increase or decrease 50 basis points, the impact on interest expense in net income (loss) for the year ended December 31, 2021 would be $13.

Foreign exchange risk

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, 2021, five customers represented 63 percent of accounts receivable (December 31, 2020- 5 customers represented 53 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. 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 $19,597 and restricted cash of $2,688 at December 31, 2021 which represents its maximum credit exposure on these assets (December 31, 2020 - $4,684 cash and cash equivalents and $319 restricted cash). The cash is held with major financial institution counterparties and management believes credit risk is minimal.

(All amounts in Canadian $000's, 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 Company anticipates that its existing capital resources will be adequate to satisfy its liquidity requirements over the next 12 months. The expected timing of cash outflows relating to financial liabilities on balance sheet as at December 31, 2021 are:

	2022	2023	2024	2025	2026	2027 +	Total
Accounts payable and accrued liabilities	3,197	-	-	-	-	-	3,197
Lease payments [1]	479	391	374	315	281	3,078	4,918
Loan payments [1]	944	916	5,124	-	-	-	6,984
Total	4,620	1,307	5,498	315	281	3,078	15,099

[1] *Includes principal and interest.*

Capital management

The capital structure of EverGen consists of the following:

As At December 31	2021	2020
Working capital surplus (deficit)	20,545	(2,842)
Long-term loans payable	5,758	-
Long-term lease liabilities	2,999	3,229
Shareholders' equity	61,372	31,909
Total	90,674	32,296

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 manages its capital structure and adjusts to 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.

22. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

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

For the year/period ended December 31	2021	2020
Share-based payment expense	1,306	1,202
Salaries and benefits	767	-
Consulting fees	-	256
Total	2,073	1,458

(All amounts in Canadian $000's, unless otherwise indicated)

23. 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 year/period ended December 31	2021	2020
Net changes in non-cash working capital:		
Accounts receivable	(798)	-
Prepaid expenses and other assets	(63)	(45)
Inventories	(60)	-
Accounts payable and accrued liabilities	(869)	1,292
	(1,790)	1,247
Net changes in non-cash working capital related to:		
Operating activities	(2,216)	1,023
Investing activities	645	-
Financing activities	(219)	224
	(1,790)	1,247
Interest paid	413	-
Taxes paid	516	-

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

For the years ended December 31	2021	2020
Loans payable		
Balance, beginning of year	-	-
Loans advanced	7,000	-
Principal repayments	(542)	-
Balance, end of year	6,458	-
Lease liabilities		
Balance, beginning of year	3,454	-
Liabilities acquired	-	3,454
Lease additions	110	-
Principal repayments	(267)	-
Balance, end of year	3,297	3,454

(All amounts in Canadian $000's, unless otherwise indicated)

24. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

At December 31, 2021, EverGen had the following additional contractual obligations and commitments as follows:

	2022	2023	2024	2025	2026	2027 +	Total
Service contracts [1]	12	5	5	4	-	-	26
Consulting services agreements	85	-	-	-	-	-	85
Carbon emission credits	120	20	-	-	-	-	140
Total	**217**	**25**	**5**	**4**	**-**	**-**	**251**

[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. During the year ended December 31, 2021, the Company recognized $55 in operating costs for utilities and property taxes related to these annual commitments (2020 - $14).

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.

25. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to management. Management is responsible for allocating resources and assessing performance of the operating segments. At ended December 31, 2021, the Company had two (2020 – one) operating segments. The Company's segments are based on type of operation and include RNG production and organic waste tipping and composting as follows:

For the year ended December 31, 2021	RNG production	Organic waste tipping and composting	Corporate and other	Total
Revenue	1,041	8,523	-	9,564
Cost of goods sold	(235)	(2,541)	-	(2,776)
Gross margin	806	5,982	-	6,788
As at December 31, 2021				
Current assets	3,845	15,660	5,513	25,019
Current liabilities	900	3,574	-	4,474

26.SUBSEQUENT EVENTS

On February 15, 2022, EverGen began trading its common shares on the OTCQB® Venture Market ("OTCQB") in the United States under the symbol "EVGIF." The OTCQB, operated by OTC Markets Group Inc., is recognized by the United States Securities and Exchange Commission as an established market providing companies the opportunity to build visibility, expand liquidity and diversify their shareholder base on an established public market. The OTCQB provides investors who cannot access trading on the TSX

Venture Exchange with an alternative access to EverGen's common shares though regulated US broker-dealers.

On March 2th, 2022, FVB restored operations following downtime arising from the historic nearly 100-year Fraser Valley floods and resumed producing RNG volumes for delivery to FortisBC.

On March 4, 2022, EverGen entered into a letter of intent ("LOI") with Grow the Energy Circle Ltd. ("GrowTEC"), in its capacity as general partner of CKPPQ Farms LP to acquire a 67% interest (the "Proposed Transaction") in a biogas facility in Alberta and to work with GrowTEC to develop and expand the RNG output at the facility. This asset is a cornerstone Project in a strategic jurisdiction where and on which EverGen can continue to participate in the consolidation and growth of the RNG industry.

On March 21, 2022 and April 1, 2022, NZWA and FVB each received $208 and $1,500 respectively in insurance proceeds. These funds represent a partial progress payment related to losses realized during the fourth quarter of 2021 as a result of the nearly 100-year flooding events which occurred in the Abbotsford and Sumas Prairie regions. Further proceeds are expected to be recovered throughout 2022 which will be recorded to other income to the extent they offset lost revenues and incremental expenses incurred in 2021, resulting in a deferral of EBITDA and adjusted EBITDA into 2022 that would have otherwise been recognized in 2021.

On March 28, 2022 Sean Hennessy joined as VP, Finance and Controller and Jamie Betts joined as VP, Operations. Concurrent with these additions, Mischa Zajtmann, President of EverGen, added the role of Chief Operating Officer to his responsibilities. Former Chief Operating Officer, Sean Mezei, has transitioned to a strategic RNG advisor and will provide focused support to the operating and project teams including commissioning and optimization of the Company's core RNG facilities.

Subsequent to year end, the Company granted 133,351 RSUs to employees which vest over a three-year period.