EVERGEN
Infrastructure Corp.

# Management's Discussion and Analysis

For the three and nine months ended September 30, 2024

Dated November 20, 2024

## BASIS OF PRESENTATION

EverGen Infrastructure Corp. ("EverGen", "the Company", "we", "our", "us" or "its") has prepared this Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2024, as at November 20, 2024, in accordance with National Instrument 51-102F1, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2024, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All references to "$" are references to Canadian dollars and are presented in thousands of dollars, unless otherwise indicated. This MD&A and the unaudited interim consolidated financial statements of EverGen have been approved by the Audit Committee of the Board of Directors as of November 20, 2024.

Additional information relating to the Company, including our Annual Information Form dated April 22, 2024 ("AIF"), is available on SEDAR+ at www.sedarplus.ca. The Company's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "EVGN" and the OTCQX Market ("OTCQX") under the symbol "EVGIF".

## FINANCIAL AND OPERATIONAL HIGHLIGHTS SUMMARY

| | Three months ended | | | | Nine months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | $ Change | % Change | Sep 30, 2024 | Sep 30, 2023 | $ Change | % Change |
| **FINANCIAL** | | | | | | | | |
| Revenue | 3,598 | 2,287 | 1,311 | 57 | 11,063 | 6,128 | 4,935 | 81 |
| Net income (loss) | (472) | (1,091) | 619 | (57) | (2,673) | (2,978) | 305 | (10) |
| Net income (loss) per share ($), basic and diluted | (0.02) | (0.08) | 0.06 | (73) | (0.17) | (0.20) | 0.03 | (13) |
| EBITDA [(1)] | 1,227 | (440) | 1,667 | (379) | 2,410 | (1,015) | 3,425 | (337) |
| Adjusted EBITDA [(1)] | 983 | 382 | 601 | 157 | 2,758 | 782 | 1,976 | 253 |
| Total assets | 91,643 | 92,280 | (637) | (1) | 91,643 | 92,281 | (638) | (1) |
| Total long-term liabilities | 28,081 | 27,640 | 441 | 2 | 28,081 | 27,640 | 441 | 2 |
| Cash and cash equivalents | 596 | 1,642 | (1,046) | (64) | 596 | 1,642 | (1,046) | (64) |
| Working capital surplus | 484 | 325 | 159 | 49 | 484 | 325 | 159 | 49 |
| **COMMON SHARES (thousands)** | | | | | | | | |
| Outstanding, end of period | 14,002 | 13,885 | 117 | 1 | 14,002 | 13,885 | 117 | 1 |
| Weighted average – basic and diluted | 13,995 | 13,851 | 144 | 1 | 13,945 | 13,839 | 106 | 1 |
| **OPERATING** | | | | | | | | |
| RNG (gigajoules) | 40,674 | 24,657 | 16,017 | 65 | 118,333 | 39,965 | 78,368 | 196 |
| Incoming organic feedstock (tonnes) | 25,555 | 18,983 | 6,572 | 35 | 74,188 | 57,840 | 16,348 | 28 |
| Organic compost and soil sales (yards) | 9,771 | 10,425 | (654) | (6) | 23,692 | 22,303 | 1,389 | 6 |
| Electricity (MWh) | 1,057 | 717 | 340 | 47 | 2,819 | 2,447 | 372 | 15 |

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

**Revenue:** For the three and nine months ended September 30, 2024, revenues increased by $1,311, or 57%, and $4,935, or 81%, respectively, compared to the same periods last year, primarily due to increased Renewable Natural Gas ("RNG") production and associated revenues from the completion of the Fraser Valley Biogas Ltd. ("FVB") RNG expansion project in Q4-2023 and the commencement of RNG production at Grow the Energy Circle Ltd. ("GrowTEC") in late Q2-2023, increased tipping fees following the commencement of operations at Prairie Sky Organics Ltd. ("PSO") in Q3-2023 and increased pricing at Pacific Coast Renewables ("PCR"), and increased carbon credit revenue earned related to production at the FVB and GrowTEC RNG facilities. Revenues for the three and nine months ended September 30, 2024, also includes management fees earned from Project Radius related to the development of the project.

Net loss: For the three and nine months ended September 30, 2024, net loss decreased by $619, or 57%, and $305, or 10%, respectively, compared to the same periods last year, due to an increase in revenues and an increase in contingent consideration gain associated with the GrowTEC acquisition and a decrease in general and administrative expenses partially offset by an increase in depreciation and amortization expense and finance costs related to the investments made into the FVB RNG facility, an increase in utility costs related to the increase in RNG production, an increase in equity-accounted loss associated with developments costs for Project Radius, and a loss on a write-down of assets held for sale during the nine months ended September 30, 2024.

Adjusted EBITDA: For the three months ended September 30, 2024, adjusted EBITDA increased by $601, or 157%, compared to the same period last year, primarily due an increase in revenues and a decrease in recurring general and administrative expenses, partially offset by a less than proportionate increase in production related direct operating costs.

For the nine months ended September 30, 2024, adjusted EBITDA increased by $1,976 or 253%, compared to the same period last year, primarily due an increase in revenues, partially offset by a less than proportionate increase in production related direct operating costs and recurring general and administrative expenses and an increase in an equity-accounted loss associated with Project Radius.

RNG Volumes: RNG production increased during the three and nine months ended September 30, 2024, compared to the same period last year, following the completion of the FVB RNG expansion project in December 2023 and first injection of RNG at GrowTEC in late Q2 2023. In September 2024, FVB set a new monthly RNG production record of 11,186 gigajoules and in October 2024, FVB set a new daily RNG production record of 640 gigajoules in a day.

RNG expansion and development projects: EverGen continues to progress on its core RNG expansion and development projects and regional expansion across Canada.

*FVB*

FVB continues to ramp up production and set new **record daily and monthly RNG production** following the **successful completion of the FVB RNG expansion project** in December 2023**.** In June 2024, EverGen announced the **execution of a 20-year offtake agreement** with FortisBC Energy Inc and a **long-term feedstock supply agreement** with a waste disposal consolidator. Once the facility is fully ramped-up, RNG production is expected to exceed initial expectations of ~160,000 gigajoules of RNG per year. The project was completed for an all-in cost of approximately $13 million.

*GrowTEC*

In July 2022, **EverGen completed the acquisition of a 67% interest in GrowTEC** and subsequently entered into construction on the first phase of an **RNG expansion project** designed to produce ~70,000 gigajoules of RNG per year. Construction and successful commissioning of this project was completed in Q1 2023. **First injection of RNG occurred during Q2 2023**, following utility grid connection upon completion of gas quality sampling, and the facility has been producing volumes of up to 220 gigajoules per day. In November 2023, GrowTEC announced that it had entered into a **10-year RNG offtake agreement with Irving Oil** Ltd to supply up to 60,000 gigajoules of RNG per year, which provides for significant upside through revenue sharing opportunities and **in September 2024, GrowTEC commenced supplying RNG to FortisBC Energy under a 20-year offtake agreement**. With the first phase of development complete, EverGen is moving into the next phase of the project. The second phase expands RNG capacity through the addition of preprocessing and depackaging equipment to broaden the range of organic waste the facility can process and is expected to increase production to ~120,000 gigajoules of RNG per year. In October 2024, GrowTEC was awarded up to **$2 million of funding from**

**the Government of Canada** to support the development of the second phase of the RNG expansion project, which is expected to commence construction in early-2025.

*PSO*

In September 2023, **EverGen announced that is had entered into a 10-year agreement with the City of Regina** to process all of the organic waste pursuant to the City's Food and Yard Waste program, which is expected to provide up to **24,000 tonnes of organic waste annually**. The agreement provides access to a new market, and an opportunity to consolidate various streams of available organic waste in the region that are currently being sent to landfill. PSO will accept waste at a temporary site at the City of Regina's Landfill, as potential permanent sites are being evaluated. In connection with the development of a permanent site, PSO secured a $7 million term loan to support the construction of an organics processing facility.

*PCR*

The **RNG expansion project at Pacific Coast Renewables** is expected to add RNG production of up to ~180,000 gigajoules per year. During the second quarter of 2023, **EverGen was awarded funding of $10.5 million from Natural Resources Canada** to support the development of the PCR RNG expansion project and a contribution agreement was executed in February 2024. During 2023, EverGen completed upgrades to existing infrastructure, necessary to secure regulatory approvals and optimize the development and construction. The RNG expansion project is currently undergoing development and is expected to commence construction following the receipt of regulatory approvals. In November 2023, EverGen announced the **renewed organic waste processing contract with the City of Abbotsford.**

*Project Radius*

In May 2022, **EverGen acquired a 50% interest in Project Radius**, which is a late-development-stage portfolio of three high-quality, on-farm RNG projects in Ontario. Collectively the projects are capable of producing ~1.7 million gigajoules of RNG per year, with the first project expected to start construction during early-2025.

### Financing

In January 2024, EverGen, through GrowTEC, signed a definitive agreement with Farm Credit Canada ("FCC") for a $3.5 million term loan to support the expansion of the GrowTEC facility (the "GrowTEC Loan"), including the procurement of depackaging equipment and front-end engineering and design work associated with the second phase of the RNG expansion project. EverGen made a drawdown of $3.3 million under this facility in early-2024.

In October 2024, EverGen, through GrowTEC, was awarded up to $2 million in funding from Agriculture and Agri-Food Canada, which provides for 40% of capital expenditures in the form of a non-repayable contribution. As at September 30, 2024, GrowTEC has incurred approximately $1.8 million of expected eligible capital expenditure under the program.

## COMPANY OVERVIEW

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

EverGen commenced operations upon incorporation under the laws of British Columbia, Canada, on May 13, 2020.


EverGen currently owns and operates five facilities through its subsidiaries: PCR, Sea to Sky Soils and Composting Inc. ("SSS"), PSO, FVB and GrowTEC, and holds a 50% interest in Project Radius.

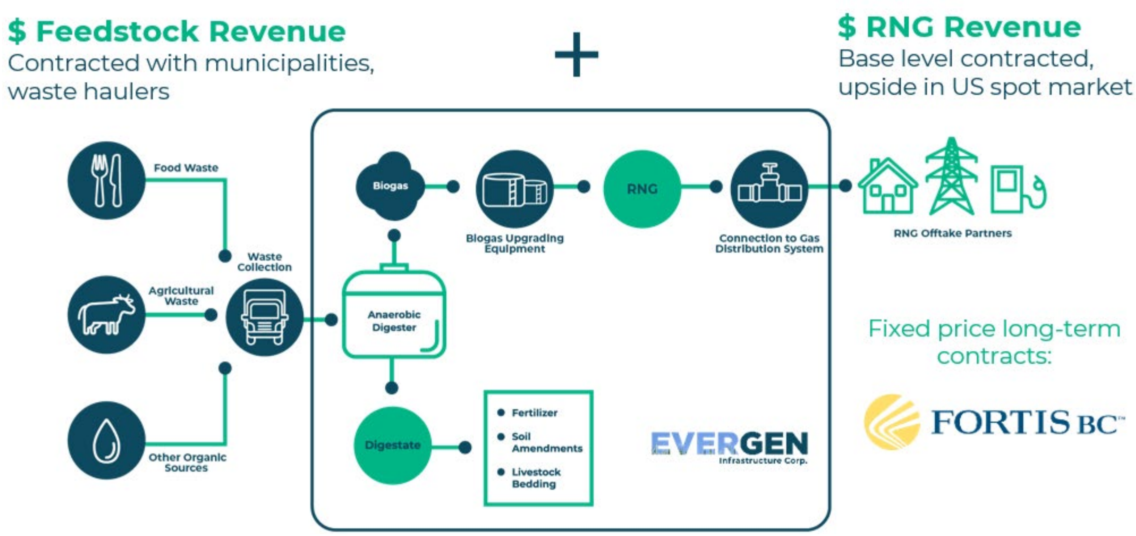

FVB is British Columbia's first RNG facility, which combines anaerobic digestion and biogas upgrading to produce RNG, primarily by converting agricultural waste from local dairy farms. The facility is currently operating under a new 20-year offtake agreement with FortisBC. In December 2023, the RNG expansion project at FVB was completed, which added additional RNG production capacity to the facility and is expected to exceed ~160,000 gigajoules of production per year, more than doubling RNG production from ~80,000 gigajoules per year. Following the completion of the project, the FVB facility has been producing daily volumes of up to 640 gigajoules.

PCR and SSS, based in British Columbia, and PSO, based in Saskatchewan, are currently operating as organic waste conversion facilities, which process inbound organics, yard waste and biosolids for a contracted tipping fee and produce high-quality organic compost and soils for farmers, gardeners and developers. PCR is undergoing a planned core RNG expansion project, which will add anaerobic digestion capabilities to produce biogas and will then be upgraded to RNG to feed into FortisBC's gas network. The expansion is expected to produce up to ~180,000 gigajoules of RNG per year. Construction of the upgrade will begin upon receipt of building and regulatory approvals, which applications were submitted during 2023. During the second quarter of 2023, EverGen was awarded funding of $10.5 million from Natural Resources Canada to support the development of the core RNG expansion project at PCR and the contribution agreement was executed in February 2024. The majority of the revenue currently earned by the organic waste conversion facilities is sourced under long-term contracts with local municipalities and in November 2023 EverGen announced the renewed organic waste processing contract with the City of Abbotsford.

GrowTEC is an operating RNG facility located in Lethbridge, Alberta. Following the acquisition of a 67% interest in the facility in Q3 2022, EverGen oversaw the installation of an RNG upgrader, and related equipment, required to upgrade biogas to produce RNG. The first phase of development was constructed and commissioned during the first quarter of 2023 and is expected to produce ~70,000 gigajoules of RNG annually. Following utility grid connection upon the completion of gas quality sampling, the facility began injecting RNG during the second quarter of 2023 and has been producing daily volumes of up to 220 gigajoules. With the first phase of development complete, EverGen expects to move into the next phase of the project. The project expands RNG capacity through the addition of preprocessing and depackaging equipment, to broaden the range of organic waste the facility can process, and is expected to increase production capacity to ~120,000 gigajoules of RNG per year. In October 2024, EverGen was awarded up to $2 million of funding from the Government of Canada to support the development of the second phase of the expansion project.

In May 2022, EverGen acquired a 50% interest in Project Radius, a late-development stage portfolio of three high-quality, on-farm RNG projects, each capable of producing approximately 550,000 gigajoules of RNG per year and the first project is expected to commence construction in early-2025. EverGen is currently working with its partner on developing Project Radius to advance the projects to the notice-to-proceed phase of development.

## COMMERCIAL STRATEGY




EverGen was formed to acquire and develop existing underutilized RNG infrastructure, convert existing organic waste facilities into RNG infrastructure and build and operate new RNG infrastructure. From its existing platform, EverGen plans to further grow and develop RNG projects in its growth pipeline and provide RNG under long-term offtake contracts to FortisBC and other investment grade 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 adoption and grid conversion in addition to:

- Completing the development and construction of EverGen's existing portfolio of core RNG expansion projects;
- Optimizing, diversifying and expanding existing organic waste processing capabilities;
- Continuing the growth of EverGen's project portfolio via strategic acquisitions and consolidation opportunities; and
- Developing strategic partnerships and advancing the RNG project pipeline.

## OUTLOOK

The development of our core RNG expansion and development projects, as described above, demonstrates EverGen's ability to execute on projects and drive the consolidation and the growth of the RNG industry as we continue to expand our geographical base. EverGen plans continued growth through the pursuit of RNG consolidation opportunities across North America and the further development of projects within its pipeline. This is driven by underlying investments in sustainable operations that contribute to carbon-negative energy production, and positively impact climate change initiatives.

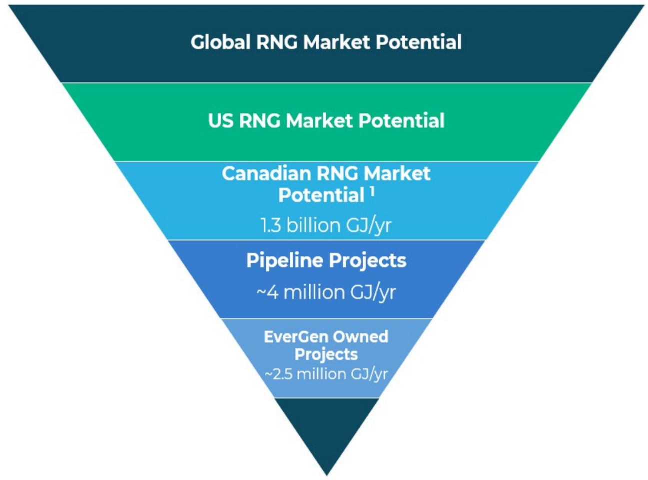
EverGen's growth, and increased financial performance, relies on the execution of its strategy to acquire, develop, build, own, operate and consolidate a portfolio of RNG, waste to energy and related sustainable infrastructure projects, including:

- Continuing development and construction of EverGen's existing portfolio of core RNG expansion projects;
- Optimizing and expanding existing organic waste processing facilities and RNG feedstock;
- Securing and optimizing long-term contracts for RNG offtake and feedstock to provide stable long-term low-risk cash flows;
- Securing municipal feedstock agreements through developed partnerships and vertically integrated operations;
- Diversifying feedstock suppliers to de-risk inbound revenue streams;
- Integrating talent, systems and processes across our projects to create efficiencies and best-in-class operations; and
- Continuing the growth of the project portfolio via the development of our project pipeline through strategic acquisitions and consolidation opportunities.

During the remainder of 2024, EverGen expects to continue to develop its core RNG expansion and development projects through maximizing the production output at FVB and reaching final investment decisions at PCR, the second phase of GrowTEC, and Project Radius, as well as continuing to develop and grow our project portfolio.

We believe that EverGen is uniquely positioned to capitalize on expansion prospects in the RNG market and that the RNG industry is set to grow rapidly over the next several decades based on increased availability of feedstock through population growth and landfill diversion measures, and increased customer demand for lower carbon energy alternatives. We believe that there is growing societal expectations of carbon neutral and circular economy solutions and there is increasing government support for these initiatives.

### *Executing strategic and accretive acquisitions*




EverGen's ability to identify and develop projects in our project pipeline, and then execute and integrate these projects as accretive acquisitions into EverGen's platform is a key driver of our growth. Our growth is focused on realizing consolidation opportunities and achieving synergies in cost and margins through the operation and expansion of facilities under a unified business platform. The identification and development of projects, followed by the execution of acquisitions and consolidation opportunities, as well as their integration into a common operating platform with shared services and efficiency optimizations, is a key factor to our success. The successful execution and integration of acquisitions creates further opportunities within the market to EverGen, provides us with additional growth opportunities and drives further procurement and cost synergies across our operations.

[1] Source: Biogas World

### *Driving cost efficiencies*

Our high-value services and high-quality products through strategically located facilities provide a foundation to continue to identify and develop projects in our pipeline, consolidate growth and realize operational and capital efficiencies. To do so, we have been investing in a scalable platform and capabilities. This investment is the basis to realize future operational and capital efficiencies and further enhance our competitive position on top of our existing strong competitive position currently supported by asset management discipline, investment in sustainable infrastructure and collaborative stakeholder relationships. EverGen's continued success depends upon 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 collaborative approach accelerates 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 leverages 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

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.

For full details on EverGen's ESG values and reporting, please refer to the Company's AIF dated April 22, 2024 (see section entitled "Social/Environmental Policies"), which is available on SEDAR+ at www.sedarplus.ca.

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

*All amounts in Canadian $000s, unless otherwise indicated*

## RESULTS OF OPERATIONS

### *Revenue*

Revenue is generated primarily through contracted RNG sales, tipping fees charged to municipalities and other customers for the disposal of organic waste at EverGen's facilities, from the sale of high-quality organic compost and soils, from electricity sales, from carbon credit sales and from the provision of management services.

RNG and electricity sales are all attributable to EverGen's RNG production operating segment. The majority of tipping fees are included in EverGen's organic waste and composting operating segment, with only a nominal amount included in the RNG production operating segment. Organic compost sales and soil sales are all attributable to EverGen's organic waste and composting operating segment. The majority of carbon credit sales are included in EverGen's RNG production operating segment. The Company's revenue is exposed to fluctuations because of the inherent seasonality of organic waste processing and the sale of organic compost and soil, which is typically lower during winter months.

Revenue by source:

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| RNG sales | 1,078 | 571 | 89 | 3,325 | 908 | 266 |
| Tipping fees | 1,750 | 1,371 | 28 | 5,342 | 4,207 | 27 |
| Organic compost and soil sales | 132 | 210 | (37) | 480 | 548 | (12) |
| Electricity sales | 51 | 135 | (62) | 198 | 465 | (57) |
| Carbon credit sales | 258 | - | 100 | 726 | - | 100 |
| Other | 329 | - | 100 | 992 | - | 100 |
| Total | 3,598 | 2,287 | 57 | 11,063 | 6,128 | 81 |

Production volumes:

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| RNG (gigajoules) | 40,674 | 24,657 | 65 | 118,333 | 39,965 | 196 |
| Incoming organic feedstock (tonnes) | 25,555 | 18,983 | 35 | 74,188 | 57,840 | 28 |
| Organic compost and soil sales (yards) | 9,771 | 10,425 | (6) | 23,692 | 22,303 | 6 |
| Electricity (MWh) | 1,057 | 717 | 47 | 2,819 | 2,447 | 15 |

Revenues from RNG production increased by $507, or 89%, and $2,417, or 266%, for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, primarily due to increased production associated with the completion of the FVB RNG expansion project in December 2023 and the commencement of RNG production at GrowTEC in June 2023.

Revenues from tipping fees increased by $379, or 28%, and $1,135, or 27%, for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, primarily due to increased volumes of incoming feedstock due to the commencement of operations at PSO in September 2023 and an increase in pricing at PCR.

*All amounts in Canadian $000s, unless otherwise indicated*

Revenues from electricity sales decreased by $84, or 62%, and $267 or 57% for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, primarily due to a decrease in spot electricity prices.

Revenues from carbon credit sales increased by $258 and $726 for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year primarily due to the recognition of carbon credits sold at the FVB and GrowTEC RNG facilities.

Revenues from other sources mainly relates to management fees charged to Project Radius for the development of the project during the three and nine months ended September 30, 2024.

Revenue by segment:

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| RNG production | 1,778 | 766 | 132 | 5,432 | 1,572 | 246 |
| Organic waste and composting | 1,820 | 1,521 | 20 | 5,631 | 4,556 | 24 |
| Total | **3,598** | **2,287** | **57** | **11,063** | **6,128** | **81** |

### *Direct operating costs*

Direct operating costs are costs incurred to earn revenue and comprise all attributable expenses, including but not limited to labour, fuel and freight charges, disposal costs, repairs and maintenance, equipment rental, insurance, utilities, and depreciation and amortization expenses. EverGen's direct operating costs are exposed to fluctuations because of seasonal weather and the related fluctuations in volumes processed.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Direct operating costs | 3,219 | 2,668 | 21 | 9,914 | 7,211 | 37 |

Direct operating costs increased by $551, or 21%, and $2,703, or 37%, for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, all less proportionately to the increase in revenues and primarily due to an increase in depreciation and amortization associated with the investment into the completion of the FVB RNG expansion project and the acquisition of property, plant and equipment and right-of-use assets through Q3 2024, an increase in utility costs associated with an increase in RNG production at FVB, the commencement of RNG production at GrowTEC in June 2023 and the commencement of operations at PSO in September 2023.

### *General and administrative expenses*

General and administrative expenses consist primarily of head office personnel costs, share-based compensation, professional and consulting fees and other general and administrative expenses.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| General and administrative expenses | 853 | 1,338 | (36) | 3,234 | 3,564 | (9) |

General and administrative expenses decreased by $485, or 36%, for the three months ended September 30, 2024, compared to the same period last year, despite increased operating and development activities. The decrease in costs primarily relates to lower wages and salaries costs due to 2023 costs including one-off severance costs incurred during the three months ended September 2023.

*All amounts in Canadian $000s, unless otherwise indicated*

General and administrative expenses decreased by $330, or 9%, for the nine months ended September 30, 2024, compared to the same periods last year, despite increased operating and development activities. The decrease was primarily due to a decrease in business development and consulting fees mainly due to the internal transfer of previously outsourced services.

### *Finance costs*

EverGen's finance costs primarily relate to interest expense recognized on loans payable and the associated interest expense on lease liabilities, which were used to finance the growth in the Company's asset base.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Interest expense on loans payable | 411 | 349 | 18 | 1,245 | 606 | 105 |
| Interest expense on loans payable - related parties | 25 | 7 | 257 | 75 | 14 | 436 |
| Interest expense on lease liabilities | 162 | 140 | 16 | 493 | 376 | 31 |
| Other | 65 | 44 | 48 | 147 | 36 | 308 |
| **Subtotal** | **663** | **540** | **23** | **1,960** | **1,032** | **90** |
| Less: capitalized interest | - | (296) | (100) | - | (338) | (100) |
| **Total** | **663** | **244** | **172** | **1,960** | **694** | **182** |

Finance costs increased by $419, or 172%, and $1,266, or 182%, for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, primarily due to the completion of the FVB RNG expansion project in late-2023 and the associated reduction in interest capitalized to the project, an increase in total borrowings and increase in interest rates on such borrowings and new leases entered into through Q3-2024 to support growth.

### *Equity-accounted loss*

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Equity-accounted loss | (110) | (45) | 144 | (430) | (81) | 431 |

Equity accounted loss increased by $65 and $349 for the three and nine months ended September 30, 2024, respectively, compared to the same periods last year, primarily due to development fees charged to Project Radius.

### *Contingent consideration gain*

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Contingent consideration gain | 826 | - | 100 | 1,500 | 90 | 1,567 |

A contingent consideration gain of $826 and $1,500 was recognized during the three and nine months ended September 30, 2024, respectively, as a result of adjustments of the liability relating to amounts payable in connection with the acquisition of GrowTEC, taking into account the probability and estimated timing of the settlement of the liability. As at September 30. 2024 the contingent consideration related to the acquisition of GrowTEC was remeasured at $nil as the achievement of certain operational milestones associated with the second phase of development of the RNG facility upon acquisition are not expected to be met.

*All amounts in Canadian $000s, unless otherwise indicated*

### *Other (expense) income – net*

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Insurance proceeds | - | 51 | (100) | 209 | 446 | (53) |
| Other | (175) | 345 | (151) | 288 | 556 | (88) |
| Total | (175) | 396 | (144) | 275 | 1,002 | (73) |

Other (expense) income - net decreased during the three and nine months ended September 30, 2024, compared to the same period last year, primarily due to a decrease in non-recurring and legacy items which included the recognition of insurance proceeds during the nine months ended September 30, 2024, and a write-off of legacy carbon credits during the three and nine months ended September 30, 2024, associated with the acquisition of PCR, due to closure of the carbon credit marketplace on which the credits were listed and the expected inability to continue to market these credits.

### *Income taxes*

Income taxes consist of current and deferred income taxes.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Current tax expense | - | 18 | (100) | - | 18 | (100) |
| Deferred tax recovery | (124) | (539) | (77) | (534) | (1,370) | (61) |
| Total | (124) | (521) | (76) | (534) | (1,352) | (61) |

The decrease in the income tax recovery for the three and nine months ended September 30, 2024, compared to the same periods last year, is primarily due to a decrease in taxable net loss.

*All amounts in Canadian $000s, unless otherwise indicated*

### *EBITDA and Adjusted EBITDA [1]*

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

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Net income (loss) | (472) | (1,091) | (57) | (2,673) | (2,978) | (10) |
| Tax recovery | (124) | (521) | (76) | (534) | (1,352) | (61) |
| Depreciation and amortization | 1,160 | 928 | 25 | 3,657 | 2,621 | 40 |
| Finance costs | 663 | 244 | 172 | 1,960 | 694 | 182 |
| **EBITDA [1]** | **1,227** | **(440)** | **(379)** | **2,410** | **(1,015)** | **(337)** |
| Share-based payment expense | 131 | 195 | (33) | 617 | 561 | 10 |
| Non-recurring general and administrative expenses and other | 290 | 622 | (53) | 514 | 1,236 | (58) |
| Contingent consideration (gain) | (826) | - | 100 | (1,500) | (90) | 1,567 |
| Loss on write-down of assets | - | - | 100 | 352 | - | 100 |
| Loss on sale of assets | - | - | 100 | 155 | - | 100 |
| Non-recurring general and administrative expenses and other related to equity-accounted investment | 76 | 18 | 319 | 139 | 50 | 177 |
| **Consolidated adjusted EBITDA [1]** | **898** | **395** | **127** | **2,687** | **742** | **262** |
| Adjusted EBITDA attributable to non-controlling interest | 85 | (13) | (753) | 71 | 40 | 77 |
| **Adjusted EBITDA [1]** | **983** | **382** | **157** | **2,758** | **782** | **253** |

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

EverGen's EBITDA increased by $1,667 for the three months ended September 30, 2024, compared to the same period last year, primarily due to an increase in revenues, as described above, a contingent consideration gain and a decrease in recurring general and administrative expenses, as described above, partially offset by a less than proportionate to revenue increase in associated production related direct operating expenses.

EverGen's EBITDA increased by $3,425 for the nine months ended September 30, 2024, compared to the same period last year, primarily due to an increase in revenues, as described above, an increase in contingent consideration gain compared to prior period and a decrease in recurring general administrative expenses, as described above, partially offset by a less than proportionate to revenue increase in associated production related direct operating expenses and an equity-accounted loss, both described above, and a loss on write-down of assets and loss on sale of assets during the nine months ended September 30, 2024.

EverGen's Adjusted EBITDA of $983, increased by $601, or 157%, for the three months ended September 30, 2024, compared to the same period last year, primarily due an increase in revenues, as described above and a decrease in recurring general and administrative expenses, partially offset by a less than proportionate to revenue increase in production related direct operating costs.

*All amounts in Canadian $000s, unless otherwise indicated*

EverGen's Adjusted EBITDA of $2,758, increased by $1,976, or 253%, for the nine months ended September 30, 2024, compared to the same period last year, primarily due an increase in revenues, as described above, partially offset by a less than proportionate to revenue increase in associated production related direct operating costs and recurring general and administrative expenses and an increase in an equity-accounted loss associated with Project Radius.

## SUPPLEMENTAL QUARTERLY INFORMATION

| | 2024 | | | 2023 | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| | Sep 30 Q3 | Jun 30 Q2 | Mar 31 Q1 | Dec 31 Q4 | Sep 30 Q3 | June 30 Q2 | Mar 31 Q1 | Dec 31 Q4 |
| **FINANCIAL** | | | | | | | | |
| Revenue | 3,598 | 4,238 | 3,227 | 2,314 | 2,287 | 2,158 | 1,683 | 1,716 |
| Net (loss) income | (472) | (875) | (1,326) | (1,765) | (1,091) | (891) | (996) | (1,526) |
| Net (loss) income per share ($), basic and diluted | (0.02) | (0.05) | (0.10) | (0.12) | (0.08) | (0.06) | (0.07) | (0.11) |
| EBITDA[(1)] | 1,227 | 966 | 217 | (705) | (440) | (387) | (188) | (914) |
| Adjusted EBITDA[(1)] | 983 | 1,122 | 654 | (9) | 382 | 382 | 18 | 274 |
| Total assets | 91,643 | 93,828 | 94,241 | 93,534 | 92,280 | 94,814 | 88,216 | 85,956 |
| Total long-term liabilities | 28,082 | 29,321 | 30,255 | 28,001 | 27,640 | 28,214 | 18,749 | 17,463 |
| Working capital surplus (deficit)[(1)] | 484 | 994 | (1,064) | (3,558) | 325 | 6,997 | 1,143 | 6,125 |
| **COMMON SHARES (thousands)** | | | | | | | | |
| Outstanding, end of period | 14,002 | 13,979 | 13,918 | 13,897 | 13,885 | 13,845 | 13,845 | 13,809 |
| Weighted average – basic & diluted | 13,995 | 13,947 | 13,905 | 13,890 | 13,851 | 13,845 | 13,820 | 13,847 |
| **OPERATING** | | | | | | | | |
| RNG sales (gigajoules) | 40,674 | 42,219 | 35,440 | 22,926 | 24,657 | 6,442 | 8.866 | 10,847 |
| Incoming organic feedstock (tonnes) | 25,555 | 30,647 | 17,786 | 22,768 | 18,983 | 20,955 | 17,902 | 16,972 |
| Organic compost and soil sales (yards) | 9,771 | 11,742 | 2,179 | 4,763 | 10,425 | 10,365 | 894 | 6,575 |
| Electricity (MWh) | 1,057 | 911 | 851 | 669 | 717 | 920 | 810 | 572 |

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

The Company's revenue is exposed to fluctuations as a result of the inherent seasonality of organic waste processing and the sale of organic compost and soil. As a result, the Company typically sees higher revenues, net income, EBITDA and Adjusted EBITDA during Q2 and Q3 of a given year, when compared to Q1 and Q4, due to higher incoming organic feedstock and organic compost and soil sales during these periods.

During Q4 2022 and Q1 through Q4 of 2023, FVB RNG production volumes were impacted from planned downtime, with the facility being offline as part of the core RNG expansion project, and unplanned downtime due to equipment availability and installation. RNG production increased following the completion of the FVB RNG expansion project in December 2023 and first injection of RNG at GrowTEC in late Q2 2023.

## LIQUIDITY AND CAPITAL RESOURCES

| | September 30, 2024 | December 31, 2023 | % Change |
|---|---|---|---|
| Cash and cash equivalents | 596 | 585 | 2 |
| Working capital surplus (deficit) [(1)] | 484 | (3,558) | (114) |

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

*All amounts in Canadian $000s, unless otherwise indicated*

We consider our capital to consist of shareholders' equity and debt (including lease liabilities) less cash and cash equivalents. The Company's objective when managing capital is to maintain adequate levels of funding to support the growth and development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. 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 adjust its capital structure. 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's working capital has improved to a surplus as at September 30, 2024, compared to a deficit as at December 31, 2023. This is primarily due to an increase in accounts receivable associated with increased revenues, as described above, an increase in assets held for sale relating to assets identified by EverGen as surplus to the operations of the Company, which are being actively marketed, and a decrease in accounts payable and accrued liabilities due to the timing of payments, partially offset by an increase in the current portion of loans payable as amounts become due. EverGen expects that it may need to obtain additional sources of financing, in addition to amounts generated from operations, to meet its obligations and commitments, as well as minimum liquidity requirements under its financial covenants. Additional potential sources of financing that EverGen is actively pursuing or may consider pursuing, include: issuing equity, entering into new debt facilities, borrowing additional amounts under existing facilities, the refinancing or extension of certain borrowings, selling certain assets and seeking joint venture partners for EverGen's business interests. EverGen is actively pursuing or may pursue the financing initiatives described above, certain of which have been completed during the nine months ended September 30, 2024, and others which it considers probable of completion based on EverGen's assessment of current conditions and estimated future conditions. EverGen is in various stages of progression on these matters. As at September 30 2024, EverGen was committed to $3.5 million of future capital expenditure, primarily related to the RNG expansion project at PCR. These commitments are expected to be funded by existing liquidity, expected future operating cash flows, additional sources of financing already secured and grant proceeds.

### *Share capital*

The Company had the following outstanding common shares and equity instruments as at September 30, 2024 and December 31, 2023:

| (thousands) | September 30, 2024 | December 31, 2023 | % Change |
|---|---|---|---|
| Common shares | 14,002 | 13,897 | 1 |
| Options | 617 | 335 | 84 |
| Performance share units | 430 | 430 | - |
| Restricted share units | 285 | 214 | 33 |
| Deferred share units | 67 | 28 | 139 |
| **Total outstanding securities** | **15,401** | **14,904** | **3** |

A description of EverGen's equity instruments can be found in Note 15 to the consolidated financial statements for the year ended December 31, 2023.

As of the date of this MD&A, the following equity instruments were outstanding:

| (thousands) | |
|---|---|
| Common shares | 14,020 |
| Options | 617 |
| Performance share units | 430 |
| Restricted share units | 260 |
| Deferred share units | 67 |
| **Total outstanding securities** | **15,394** |

*All amounts in Canadian $000s, unless otherwise indicated*

*Summary of Cash Flows*

| | Nine months ended | | % |
|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | Change |
| Net operating cash flow | 2,955 | (948) | (412) |
| Net investing cash flow | (3,405) | (13,725) | (75) |
| Net financing cash flow | 461 | 7,463 | (94) |
| **Total** | **11** | **(7,210)** | **(100)** |

The Company's net operating cash flows increased for the nine months ended September 30, 2024, compared to the same period last year, primarily due to an increase in revenues, as described above, partially offset by a less than proportionate associated increase in production related direct operating costs and the timing of changes in non-cash working capital.

EverGen has continued its focus on the investment into its facilities for the nine months ended September 30, 2024, with cash used in investing activities associated with property, plant and equipment expenditures relating to the Company's core RNG expansion projects at GrowTEC, FVB and PCR. Pursuant to its core RNG expansion projects at the facilities, which upon completion are expected to significantly increase EverGen's RNG production, net income and EBITDA, EverGen completed purchasing capital assets related to the FVB core RNG expansion project. During the nine months ended September 30, 2024, EverGen made a capital contribution to Project Radius of $500, following the repayment of the loan principal advanced to Project Radius in the prior year.

Cash used in investing activities for the nine months ended September 30, 2023, primarily related to property, plant and equipment expenditures associated with the Company's core RNG expansion projects at GrowTEC, PCR and FVB and capital improvements at PCR. Additionally, during the year ended December 31, 2023, a contingent consideration payment was made in relation to the Company's acquisition of a 67% interest in GrowTEC and EverGen advanced a loan to Project Radius of $500, which was repaid to EverGen in July 2024.

Cash provided by financing activities for the nine months ended September 30, 2024, decreased compared to the same period last year primarily due to the drawdown of a term loan facility used to support the upgrade and construction of the FVB RNG facility, advances from related parties during the nine months ended September 30, 2023 and an increase in lease and interest payments during the nine months ended September 30, 2024 associated with financing growth across the Company, partially offset by cash used as collateral for a letter of credit related to GrowTEC during the nine months ended September 30, 2023 and the drawdown of the GrowTEC Loan during the nine months ended September 30, 2024.

## ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

The Company's material accounting policies are included in Note 3 to the Company's annual financial statements for the year ended December 31, 2023. The Company did not adopt any new material accounting policies in the current period and there are no new or amended accounting standards or interpretations issued during the nine months ended September 30, 2024, that are expected to have a material impact on the Company's financial statements.

## CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant in the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

*All amounts in Canadian $000s, unless otherwise indicated*

The Company's uses of estimates, judgements and assumptions are included in Note 2 to the Company's annual consolidated financial statements for the year ended December 31, 2023. There have been no significant changes to the Company's critical accounting estimates, judgments and assumptions during the three and nine months ended September 30, 2024.

## MANAGEMENTS REPORT ON 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.

We have designed disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that material information is identified and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a timely manner to allow decisions regarding required disclosures.

We have also designed internal controls over financial reporting ("ICFR"), as defined in NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

A control system, including EverGen's disclosure controls and procedures and ICFR, no matter how well designed, has inherent limitations and can only provide reasonable, not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure controls and procedures and ICFR will prevent all misstatements and instances of fraud, if any.

During three and nine months ended September 30, 2024, there were no changes in ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

EverGen is not required to certify the design and evaluation of the issuer's DC&P and ICFR and has not completed such an evaluation and inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## 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 included in the table that follows.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | % Change | Sep 30, 2024 | Sep 30, 2023 | % Change |
| Salaries and benefits[(1)] | 183 | 530 | (65) | 549 | 826 | (34) |
| Share-based payment expense | 102 | 141 | (28) | 481 | 484 | (1) |
| **Total** | **285** | **671** | **(58)** | **1,030** | **1,310** | **(21)** |

[(1)] *Includes one-time severance cost incurred during the three and nine months ended September 30, 2023.*

### *Other related party transactions*

In July 2022, GrowTEC entered into a lease agreement with related parties to lease the land on which the facility is located for a term of ten years, with the option to extend for an additional two five-year periods, at the option of EverGen. The lease agreement is with entities which are related parties to the minority shareholders of GrowTEC. The lease payments for the initial term are $270 for the first year of the lease and $120 per year for the remaining nine years. During the three and nine months ended September 30, 2024, the Company incurred lease expenses of $30 and $90, respectively, relating to this lease (three and nine months ended September 30, 2023 - $30 and $135, respectively).

Effective April 1, 2023, EverGen entered into a loan agreement with the non-controlling interest holders of a subsidiary of the Company to provide proceeds of $710 to the Company to fund the non-controlling interest holders proportionate share of capital expenditure. The loan was repayable over a five-year term and bears interest at a rate of 4.0%. Effective January 1, 2024, the outstanding balance of this loan of $670 was converted into equity of the subsidiary and the loan agreement was terminated.

Effective December 1, 2023, EverGen entered into a loan agreement with the vendors related to the acquisition of GrowTEC to provide proceeds of $1,000 to EverGen primarily to fund the repayment of amounts owing as contingent consideration related to the acquisition of the 67% interest in GrowTEC in July 2022 and the first phase of development of the RNG expansion. The full outstanding balance of the loan is repayable on January 1, 2026, and bears interest at a rate of 10.0%, which EverGen has the option to pay interest in cash, payment-in-kind, or a combination thereof. During the three and nine months ended September 30, 2024, EverGen incurred interest expenses of $25 and $75, respectively, relating to this loan (2023: - $nil).

## OFF BALANCE SHEET ARRANGEMENTS

During 2023, EverGen received a performance service guarantee from Export Development Canada to provide a guarantee on a $1,378 letter of credit issued in relation to GrowTEC, which allowed EverGen to release $1,378 of collateral previously held in relation to the letter of credit.

## FINANCIAL INSTRUMENTS

As at September 30, 2024, the Company's financial instruments consists of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease liabilities, loans payable and loans payable – related parties. There have been no significant developments, including the associated risks, in the Company's financial instruments as included in the Company's annual consolidated financial statements as at and for the year ended December 31, 2023.

There were no significant changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and nine months ended September 30, 2024.

## RISKS AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. EverGen's business and financial performance, which includes our results of operations and cash flows, are impacted by a number of risks. For full details on the risks and uncertainties affecting EverGen, please refer to the Company's AIF dated April 22, 2024 (see section entitled "Risk Factors"), which is available on SEDAR+ at www.sedarplus.ca. The risks and uncertainties described in our AIF are not the only ones that we face. Additional risks and uncertainties, including those that we do not currently know of or that we deem immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

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.

*All amounts in Canadian $000s, unless otherwise indicated*

## NON-GAAP MEASUREMENTS

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

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 Accounting Standards.

### *EBITDA and Adjusted EBITDA*

Management considers EBITDA and adjusted EBITDA 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, unusual or non-recurring items, contingent consideration gains and losses, and non-controlling interests in adjusted EBITDA. A reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA, to the applicable IFRS Accounting Standards measure can be found under the Results of Operations section of this MD&A.

### *Working capital surplus (deficit)*

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 Accounting Standards measurements for the Company:

| (thousands) | September 30, 2024 | December 31, 2023 | % Change |
|---|---|---|---|
| Current assets | 7,780 | 4,396 | 77 |
| Current liabilities | (7,296) | (7,954) | (8) |
| Working capital surplus (deficit) | 484 | (3,558) | (114) |

## FORWARD LOOKING STATEMENTS

Readers are cautioned that this MD&A contains certain forward-looking statements and/or forward-looking information (collectively, "forward looking statements") within the meaning of applicable securities laws that involve risks, uncertainties and assumptions and relate to the Company's current expectations as of the date of this MD&A and views of future events. All statements other than statements of present or historical fact are forward-looking statements.

Forward-looking statements can often, but not always, be identified by the use of words such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "project", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. In particular, this MD&A contains forward-looking statements including, but not limited to:

- The timing of the completion of the Company's core RNG expansion projects, as well as the expected capital costs, RNG production, inbound organic feedstock capacity and increase in net income and EBITDA;
- EverGen's plans to grow and develop RNG facilities and construct a platform of sustainable infrastructure and reduce carbon emissions;

- Optimization, diversification and expansion of organic waste processing facilities and RNG feedstock;
- Continued growth through strategic acquisitions and consolidation opportunities;
- Developing strategic partnerships and advancing RNG project pipelines;
- EverGen's expectation to continue to pursue opportunities within its core markets and across North America;
- The ability to secure and optimize long-term contracts for RNG offtake and feedstock inputs;
- Continued growth of the feedstock opportunity from municipal and commercial sources and our ability to build relationships with municipal, commercial and utility customers;
- The ability to create efficiencies through the integration of talent, systems and processes across acquired capital;
- The growth of the RNG industry;
- The growth and success of EverGen focussed on realizing consolidation opportunities and achieving synergies in cost and margin;
- That successful acquisitions provide EverGen with additional growth opportunities;
- The ability of EverGen to meet its future anticipated obligations incurred from normal ongoing operations;
- The ability for EverGen to complete certain financing initiatives;
- That funds received under loan facilities will be sufficient to fund the core RNG expansion projects; and
- That EverGen generates sufficient amounts of cash and cash equivalents from operating activities to maintain the current level of operations.

Such statements reflect the current views of EverGen with respect to future events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause EverGen's actual results, performance or achievements to be materially different from any expected future results, performance or achievement that may be expressed or implied by such forward looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits EverGen will derive therefrom. 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 the Company 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. Forward-looking-statements, by their nature, involve risks and uncertainties. Certain of these risks are included in "Risks and Uncertainties" in this MD&A and "Risk Factors" in the Company's AIF dated April 22, 2024, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A. Given these risks, uncertainties and assumptions, 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, and except as may be expressly required by applicable law, EverGen disclaims any intent, obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein whether as a result of new information, future events or results or otherwise. The forward-looking statements and information contained in this MD&A may not be appropriate for other purposes. 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.

# Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023

## NOTICE OF NO REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of EverGen Infrastructure Corp. for the three and nine months ended September 30, 2024 have been prepared by and are the responsibility of the Company's management.

Under National Instrument 51-102, continuous disclosure obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

*All amounts in Canadian $000s, unless otherwise indicated*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

| As at | Notes | September 30, 2024 | December 31, 2023 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 596 | 585 |
| Accounts receivable | | 2,503 | 1,717 |
| Assets held for sale | 3 | 4,152 | 650 |
| Other assets | | 529 | 1,444 |
| | | **7,780** | **4,396** |
| Property, plant and equipment | 4 | 44,554 | 48,306 |
| Intangible assets | 5 | 22,293 | 23,886 |
| Goodwill | | 15,938 | 15,938 |
| Equity-accounted investment | 6 | 1,078 | 1,008 |
| **Total assets** | | **91,643** | **93,534** |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 4,704 | 6,195 |
| Loans payable | 7 | 1,560 | 744 |
| Loans payable – related party | | - | 204 |
| Lease liabilities | 8 | 1,032 | 809 |
| Deferred revenue | | - | 2 |
| | | **7,296** | **7,954** |
| Loans payable | 7 | 16,338 | 13,938 |
| Loans payable – related party | 17 | 1,000 | 1,512 |
| Lease liabilities | 8 | 7,178 | 6,952 |
| Contingent consideration | 9 | - | 1,500 |
| Deferred tax | | 3,565 | 4,099 |
| **Total liabilities** | | **35,377** | **35,955** |
| **Shareholders' equity** | | | |
| Share capital | 10 | 62,112 | 61,763 |
| Contributed surplus | 10 | 6,267 | 5,926 |
| Accumulated deficit | | (14,791) | (12,367) |
| Non-controlling interest | | 2,678 | 2,257 |
| **Total shareholders' equity** | | **56,266** | **57,579** |
| **Total liabilities and shareholders' equity** | | **91,643** | **93,534** |

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

On behalf of the board of directors:

Signed: *"Mischa Zajtmann"*

Mischa Zajtmann, Director

Signed: *"Mary Hemmingsen"*

Mary Hemmingsen, Director

*All amounts in Canadian $000s, unless otherwise indicated*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)
*(Thousands of Canadian Dollars and shares, except per share amounts)*

| | Notes | Three months ended Sep 30, 2024 | Three months ended Sep 30, 2023 | Nine months ended Sep 30, 2024 | Nine months ended Sep 30, 2023 |
|---|---|---|---|---|---|
| Revenue | 11 | 3,598 | 2,287 | 11,063 | 6,128 |
| Direct operating costs | 4,5,12 | (3,219) | (2,668) | (9,914) | (7,211) |
| General and administrative expenses | 10,13 | (853) | (1,338) | (3,234) | (3,564) |
| Finance costs | 7,8,14 | (663) | (244) | (1,960) | (694) |
| Equity-accounted loss | 6 | (110) | (45) | (430) | (81) |
| Contingent consideration gain | 9 | 826 | - | 1,500 | 90 |
| Loss on write-down of assets | 3 | - | - | (352) | - |
| Loss on sale of assets | 4 | - | - | (155) | - |
| Other (expense) income - net | 15 | (175) | 396 | 275 | 1,002 |
| Net income (loss) before income tax (expense) recovery | | (596) | (1,612) | (3,207) | (4,330) |
| Income tax (expense) recovery | | | | | |
| Current | | - | (18) | - | (18) |
| Deferred | | 124 | 539 | 534 | 1,370 |
| Net income (loss) and comprehensive income (loss) | | (472) | (1,091) | (2,673) | (2,978) |
| Non-controlling interest in net income (loss) and comprehensive income (loss) | | (139) | (47) | (249) | (208) |
| Net income (loss) and comprehensive income (loss) attributable to shareholders | | (333) | (1,044) | (2,424) | (2,770) |
| Net income (loss) per share attributable to shareholders - basic and diluted | | ($0.02) | ($0.08) | ($0.17) | ($0.20) |
| Weighted average number of common shares outstanding – basic and diluted | | 13,995 | 13,851 | 13,945 | 13,839 |

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

*All amounts in Canadian $000s, unless otherwise indicated*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

**(Unaudited)**
*(Thousands of Canadian Dollars and shares)*

| | Notes | Share capital # | Share capital $ | Share warrants # | Share warrants $ | Contributed surplus $ | Accumulated deficit $ | Non-controlling interest $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2023** | | **13,897** | **61,763** | **-** | **-** | **5,926** | **(12,367)** | **2,257** | **57,579** |
| Net income (loss) for the period | | - | - | - | - | - | (2,424) | (249) | (2,673) |
| Share-based payment expense | 10,13 | - | - | - | - | 617 | - | - | 617 |
| Conversion of loans payable - related parties to equity | 17 | - | - | - | - | - | - | 670 | 670 |
| Common shares issued upon vesting of RSUs and other | 10 | 105 | 349 | - | - | (276) | - | - | 73 |
| **Balance, September 30, 2024** | | **14,002** | **62,112** | **-** | **-** | **6,267** | **(14,791)** | **2,678** | **56,266** |
| **Balance, December 31, 2022** | | **13,809** | **61,393** | **1,772** | **1,069** | **4,410** | **(7,956)** | **2,466** | **61,382** |
| Net income (loss) for the period | | - | - | - | - | - | (2,770) | (208) | (2,978) |
| Share-based payment expense | 10,13 | - | - | - | - | 561 | - | - | 561 |
| Capitalized share-based expense | 10 | - | - | - | - | 147 | - | - | 147 |
| Contributions from non-controlling interest in subsidiaries | | - | - | - | - | - | - | 100 | 100 |
| Expiration of share warrants | 10 | - | - | (1,772) | (1,069) | 1,069 | - | - | - |
| Common shares issued upon vesting of RSUs and other | 10 | 76 | 335 | - | - | (334) | 11 | 12 | 24 |
| **Balance, September 30, 2023** | | **13,885** | **61,728** | **-** | **-** | **5,853** | **(10,715)** | **2,370** | **59,236** |

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

*All amounts in Canadian $000s, unless otherwise indicated*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Notes | Nine months ended September 30, 2024 | September 30, 2023 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss | | (2,673) | (2,978) |
| Items not affecting cash: | | | |
| Depreciation and amortization | 4,5,12 | 3,657 | 2,621 |
| Loss on write-down of assets | 3 | 352 | - |
| Loss on sale of assets | | 155 | - |
| Share-based payment expense | 10,13 | 617 | 561 |
| Finance costs | 7,8,14 | 1,960 | 694 |
| Equity-accounted loss | 6 | 430 | 81 |
| Contingent consideration gain | 9 | (1,500) | (90) |
| Deferred income tax recovery | | (534) | (1,370) |
| Changes in non-cash working capital | 18 | 491 | (467) |
| **Net cash flow from (used in) operating activities** | | **2,955** | **(948)** |
| **Investing activities** | | | |
| Expenditures on property, plant and equipment | 4 | (3,405) | (13,396) |
| Finance costs capitalized on assets under construction | | - | (338) |
| Insurance proceeds for property, plant and equipment | | - | 1,525 |
| Contingent consideration payments | | - | (1,016) |
| Loan repayment from equity-accounted investment | 6 | 500 | - |
| Investment in equity-accounted investment | 6 | (500) | - |
| Loan advanced to equity-accounted investment | 6 | - | (500) |
| **Net cash flow used in investing activities** | | **(3,405)** | **(13,725)** |
| **Financing activities** | | | |
| Advances of loans payable | 7 | 3,245 | 9,475 |
| Advances of loans payable – related parties | 7 | - | 710 |
| Repayment of loans payable | 7 | (125) | (234) |
| Financing costs related to loans payable | | - | (334) |
| Interest paid on loans payable | 7 | (1,197) | (268) |
| Interest paid on loans payable – related parties | 17 | (46) | - |
| Payment of lease liabilities | 8 | (880) | (597) |
| Interest paid on lease liabilities | 8 | (493) | (376) |
| Capital provided by non-controlling interest in subsidiaries | | - | 100 |
| Changes in restricted cash | | - | (963) |
| Other | | (43) | (50) |
| **Net cash flow from financing activities** | | **461** | **7,463** |
| **Net change in cash** | | 11 | (7,210) |
| Cash and cash equivalents at beginning of period | | 585 | 8,852 |
| **Cash and cash equivalents at end of period** | | **596** | **1,642** |

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

Supplemental cash flow information note 18

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. NATURE OF BUSINESS

As at September 30, 2024, EverGen Infrastructure Corp. ("EverGen" or the "Company") operates three organic waste management facilities and two renewable natural gas production facilities.

EverGen was incorporated under the British Columbia Business Corporations Act on May 13, 2020, and trades on the TSX Venture Exchange under the symbol "EVGN" and the Over-The-Counter exchange ("OTCQX") under the symbol "EVGIF".

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 and accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023. The interim condensed consolidated financial statements have been prepared under the assumption that the Company operates on a going concern basis and have been presented in Canadian dollars, which is also the Company's functional currency.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2023.

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors of the Company on November 20, 2024.

#### b) New standards, interpretations and amendments adopted by the Company

As at September 30, 2024, there are no new standards not yet adopted that are expected to have a material impact on the Company's financial statements.

#### c) Use of estimates, judgements and assumptions

The significant estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Company's consolidated financial statements as at and for the year ended December 31, 2023. Actual results may differ from these estimates.

*All amounts in Canadian $000s, unless otherwise indicated*

## 3. PROPERTY, PLANT AND EQUIPMENT CLASSIFIED AS HELD FOR SALE

As at September 30, 2024 certain items of property, plant and equipment were classified as held for sale as a result of their expected sale within one year from September 30, 2024.

| | RNG production | Organic waste and composting | Total |
|---|---|---|---|
| **At December 31, 2023** | **-** | **650** | **650** |
| Additions: | | | |
| Land[(1)] | 3,000 | - | 3,000 |
| Right-of-use asset | - | 502 | 502 |
| **At September 30, 2024** | **3,000** | **1,152** | **4,152** |

[(1)] *Relates to the land owned at Fraser Valley Biogas, which the Company expects to sell. The land was written down to it's estimated fair value, based on the expected selling price, and the resulting loss on wite-down of assets of $238 was recorded during the nine months ended September 30, 2024.*

## 4. PROPERTY, PLANT AND EQUIPMENT

| Cost | Land | Buildings and leasehold improvements | Equipment, vehicles and other | Right-of-use assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2023** | **3,238** | **8,253** | **25,552** | **9,244** | **5,520** | **51,807** |
| Additions | - | - | 1,456 | 904 | 487 | 2,847 |
| Transfer to assets held for sale (note 3) | (3,238) | - | - | (693) | - | (3,931) |
| Transfer to right-of-use asset | - | - | - | 508 | (508) | - |
| Transfer to assets in use | - | 1,390 | | - | (1,390) | - |
| Disposal | - | - | (553) | - | - | (553) |
| Other | - | - | (29) | (120) | (114) | (263) |
| **At September 30, 2024** | **-** | **9,643** | **26,426** | **9,843** | **3,995** | **49,907** |
| **Accumulated depreciation** | | | | | | |
| **At December 31, 2023** | **-** | **982** | **1,202** | **1,317** | **-** | **3,501** |
| Depreciation | - | 353 | 1,207 | 504 | - | 2,064 |
| Transfer to assets held for sale (note 3) | - | - | - | (77) | - | (77) |
| Disposal | - | - | (135) | - | - | (135) |
| **At September 30, 2024** | **-** | **1,335** | **2,274** | **1,744** | **-** | **5,353** |
| **Carrying value** | | | | | | |
| At December 31, 2023 | 3,238 | 7,271 | 24,350 | 7,927 | 5,520 | 48,306 |
| **At September 30, 2024** | **-** | **8,308** | **24,152** | **8,099** | **3,995** | **44,554** |

As at September 30, 2024, the Company was committed to $3.5 million of future capital expenditure mainly related to equipment ordered at Pacific Coast Renewables Corp.

*All amounts in Canadian $000s, unless otherwise indicated*

## 5. INTANGIBLE ASSETS

| Cost | Brands | Customer contracts and stakeholder relationships | Total |
|---|---|---|---|
| At December 31, 2023 and September 30, 2024 | **1,180** | **28,530** | **29,710** |

| Accumulated amortization | | | |
|---|---|---|---|
| At December 31, 2023 | 177 | 5,647 | 5,824 |
| Amortization | 45 | 1,548 | 1,593 |
| At September 30, 2024 | **222** | **7,195** | **7,417** |

| Carrying value | | | |
|---|---|---|---|
| At December 31, 2023 | 1,003 | 22,883 | 23,886 |
| **At September 30, 2024** | **958** | **21,335** | **22,293** |

## 6. EQUITY ACCOUNTED INVESTMENTS

In May 2022, the Company acquired a 50% interest in an entity that holds a portfolio of three RNG development projects ("Project Radius") in Canada, which provides the Company with the right to participate in funding its proportionate share of capital to construct RNG infrastructure. The following table presents the changes in the balance of the Company's equity-accounted investment in Project Radius:

| Carrying value | Total |
|---|---|
| At December 31, 2023 | 1,008 |
| Capital contribution | 500 |
| Equity-accounted loss | (430) |
| **At September 30, 2024** | **1,078** |

On January 1, 2023, the Company entered into a loan agreement to provide $500 to Project Radius, which was fully drawn as at September 30, 2024. The loan accrues interest on the unpaid principal amount at a rate of 14.25% per annum. During the three months ended September 2024, the outstanding principal balance and accrued interest owing to the Company were repaid and the Company made a capital contribution to Project Radius of $500.

## 7. LOANS PAYABLE

| | Total |
|---|---|
| At December 31, 2023 | 15,000 |
| Advances | 3,245 |
| Interest expense (note 14) | 1,245 |
| Loan payments | (1,322) |
| Total | 18,168 |
| Less: deferred financing costs & other | (270) |
| Total borrowings | **17,898** |
| Less current portion | **(1,560)** |
| **Long-term portion** | **16,338** |

*All amounts in Canadian $000s, unless otherwise indicated*

In January 2023, the Company entered into an agreement providing for a syndicated senior term loan of up to $31,000. The term loan is being used to support the upgrade and construction of the Company's RNG facilities and provided for $15 million for refinancing of existing debt and construction at Fraser Valley Biogas Ltd. and provides for $16 million at Pacific Coast Renewables Corp. ("PCR). As of September 30, 2024, $16 million of the term loan, related to the RNG construction at PCR, remains undrawn, until such time as the RNG project has commenced and certain conditions are met. The term loan is repayable over a term of five years, with a 10-year amortization period and interest only payments for the first 12 months. The term loan bears interest at a rate of the Canadian Variable Rate + 4.0% per annum. The term loan is secured by the assets of the Company and certain of its subsidiaries.

The senior term loan facility agreement is subject to certain conditions and covenants, including, but not limited to, maintaining a minimum consolidated working capital ratio and fixed charge coverage ratio as defined in the agreement, and a maximum debt to capitalization ratio. These covenants are tested quarterly on a trailing twelve-month basis.

In January 2024, the Company, through Grow the Energy Circle Ltd. ("GrowTEC"), entered into an agreement providing for a term loan of up to $3,500. The term loan is repayable over a term of five years, with a 10-year amortization period and interest only payments for the first 12 months. The term loan bears interest at a rate of the Canada Prime Rate + 1.0% per annum. The term loan is secured by certain assets of GrowTEC. As at September 30, 2024, GrowTEC had drawn $3,245 under this term loan.

The term loan facility agreement is subject to certain conditions and covenants, including, but not limited to, a minimum debt service coverage ratio as defined in the agreement. The covenants are tested annually on a trailing twelve-month basis.

## 8. LEASE LIABILITIES

| | Total |
|---|---|
| At December 31, 2023 | 7,761 |
| Additions | 1,321 |
| Other | 26 |
| Interest expense (note 14) | 493 |
| Lease payments | (1,391) |
| As at September 30, 2024 | **8,210** |
| Less current portion | **(1,032)** |
| Long-term portion | **7,178** |

The Company's lease liabilities are calculated using discount rates ranging from 4.9% to 9.9%.

## 9. CONTINGENT CONSIDERATION

| | Total |
|---|---|
| As at December 31, 2023 | 1,500 |
| Gain on fair value adjustment of liability | (1,500) |
| As at September 30, 2024 | - |

The contingent consideration is related to the acquisition of the GrowTEC subsidiary in 2022. The contingent consideration was payable upon the achievement of certain operational milestones. During the three and nine months ended September 30, 2024, the Company recognized a $826 and $1,500 contingent consideration gain, respectively (three and nine months ended September 30, 2023: nil and a $90 contingent consideration gain, respectively) in re-measuring the liability taking into account the probability and expected timing of the settlement of the liability. As at September 30, 2024 the contingent consideration related to the acquisition of GrowTEC was remeasured at $nil as the Company does not expect to achieve the certain operational milestones associated with the second phase of development of the RNG facility.

*All amounts in Canadian $000s, unless otherwise indicated*

## 10. SHAREHOLDERS' EQUITY

### a) Share-based incentive programs and payment plans

*Options*

The following table presents the changes in the balance of the outstanding stock options:

| | Number of Options (thousands) # | Weighted average exercise price $ |
|---|---|---|
| Outstanding at December 31, 2023 | 335 | 4.08 |
| Granted | 282 | 2.36 |
| **Outstanding at September 30, 2024** | **617** | **3.29** |
| **Exercisable at September 30, 2024** | **159** | **5.25** |

In January 2024, the Company granted 187,860 stock options to certain members of the Board of Directors of the Company at an exercise price of $2.44 each. These options vest equally over a three-year period and are exercisable for a period of seven years from the grant date to purchase one common share for each stock option held.

In June 2024, the Company granted 94,141 stock options to certain officers of the Company at an exercise price of $2.21 each. These options vest equally over a three-year period and are exercisable for a period of seven years from the grant date to purchase one common share for each stock option held.

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

| | June 2024 Stock Options | Jan 2024 Stock Options |
|---|---|---|
| Share price on grant date | 1.91 | 2.35 |
| Exercise price | 2.21 | 2.44 |
| Fair value per stock option | 1.03 | 1.33 |
| Expected volatility (percentage) | 53 | 53 |
| Risk-free rate (percentage) | 3.28 | 3.21 |
| Expected forfeiture rate (percent) | 10 | 10 |
| Expected life (years) | 7 | 7 |
| 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 the Company. 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 $000s, unless otherwise indicated*

*PSUs, RSUs and DSUs*

The following table presents the changes in the balance of the outstanding PSUs, RSUs and DSUs:

| (thousands) | Number of PSUs # | Number of RSUs # | Number of DSUs # |
|---|---|---|---|
| Outstanding at December 31, 2023 | 430 | 214 | 28 |
| Granted | - | 179 | 39 |
| Forfeited | - | (3) | - |
| Vested | - | (105) | - |
| **Outstanding at September 30, 2024** | **430** | **285** | **67** |

*Deferred share units*

During the nine months ended September 30, 2024, the Company granted 38,930 DSU awards to certain members of the Board of Directors of the Company, which had a grant date fair value of $2.35.

*Restricted share units*

During the nine months ended September 30, 2024, the Company granted 131,931 RSU awards to certain officers and employees of the Company, which vest equally over a three-year period and had a weighted average grant date fair value of $1.92 per RSU.

As at September 30, 2024, the Company had 284,946 RSUs outstanding, which vest over a remaining weighted average period of 0.9 years, with a weighted average grant date fair value of $2.38 per RSU.

*Share-based payment expense*

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Options | 59 | 126 | 260 | 162 |
| PSUs | - | - | - | 289 |
| RSUs | 72 | 136 | 265 | 257 |
| DSUs | - | - | 92 | - |
| **Subtotal** | **131** | **262** | **617** | **708** |
| Less: Capitalized share-based payment expense | - | 67 | - | 147 |
| **Total** (1) | **131** | **195** | **617** | **561** |

(1) *Included in general and administrative expenses (see note 13).*

## 11. REVENUE

The Company generates revenue primarily from fees charged to customers upon receipt of organic waste at the Company's organic waste facilities, sale of RNG, sale of electricity, sale of carbon credits, the sale of organic compost and soil and the provision of management services. With the exception for management services, the Company's revenue for the three and nine months ended September 30, 2024 and 2023 all relate to goods and services transferred at a point in time. The following tables contain the Company's revenue for the three and nine months ended September 30, 2024 and 2023, by source and by segment:

*All amounts in Canadian $000s, unless otherwise indicated*

| For the three months ended September 30, 2024 | RNG production | Organic waste and composting | Total |
|---|---|---|---|
| Tipping fees | 63 | 1,687 | 1,750 |
| RNG | 1,078 | - | 1,078 |
| Organic compost and soil sales | - | 132 | 132 |
| Electricity sales | 51 | - | 51 |
| Carbon credits | 258 | - | 258 |
| Management services and other | 328 | 1 | 329 |
| Total | 1,778 | 1,820 | 3,598 |

| For the three months ended September 30, 2023 | RNG production | Organic waste and composting | Total |
|---|---|---|---|
| Tipping fees | 60 | 1,311 | 1,371 |
| RNG | 571 | - | 571 |
| Organic compost and soil sales | - | 210 | 210 |
| RNG | 571 | - | 571 |
| Electricity sales | 135 | - | 135 |
| Total | 766 | 1,521 | 2,287 |

| For the nine months ended September 30, 2024 | RNG production | Organic waste and composting | Total |
|---|---|---|---|
| Tipping fees | 245 | 5,097 | 5,342 |
| RNG | 3,325 | - | 3,325 |
| Organic compost and soil sales | - | 480 | 480 |
| Electricity sales | 198 | - | 198 |
| Carbon credits | 685 | 41 | 726 |
| Management services and other | 979 | 13 | 992 |
| Total | 5,432 | 5,631 | 11,063 |

| For the nine months ended September 30, 2023 | RNG production | Organic waste and composting | Total |
|---|---|---|---|
| Tipping fees | 199 | 4,008 | 4,207 |
| RNG | 908 | - | 908 |
| Organic compost and soil sales | - | 548 | 548 |
| Electricity sales | 465 | - | 465 |
| Total | 1,572 | 4,556 | 6,128 |

All of the Company’s revenues are generated in Canada.

*All amounts in Canadian $000s, unless otherwise indicated*

## 12. DIRECT OPERATING COSTS

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Salaries and wages | 563 | 442 | 1,714 | 1,238 |
| Depreciation and amortization | 1,160 | 928 | 3,657 | 2,621 |
| Repairs and maintenance | 328 | 215 | 917 | 731 |
| Fuel and freight expense | 182 | 388 | 701 | 927 |
| Utilities | 285 | 224 | 941 | 395 |
| Equipment rental | 87 | 151 | 248 | 308 |
| Other[(1)] | 614 | 320 | 1,736 | 991 |
| **Total** | **3,219** | **2,668** | **9,914** | **7,211** |

(1) *Other includes, but is not limted to, insurance, supplies and disposal costs.*

## 13. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Salaries and wages | 377 | 668 | 1,359 | 1,198 |
| Share-based payment expense (note 10) | 131 | 195 | 617 | 561 |
| Professional and consulting fees | 135 | 119 | 466 | 650 |
| Other[(1)] | 210 | 356 | 792 | 1,155 |
| **Total** | **853** | **1,338** | **3,234** | **3,564** |

(1) *Other includes, but is not limited to, business development fees, insurance and business fees & licenses.*

## 14. FINANCE COSTS

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Interest expense on loans payable (note 7) | 411 | 349 | 1,245 | 606 |
| Interest expense on loans payable – related parties (note 17) | 25 | 7 | 75 | 14 |
| Interest expense on lease liabilities (note 8) | 162 | 140 | 493 | 376 |
| Other | 65 | 44 | 147 | 36 |
| **Subtotal** | 663 | 540 | 1,960 | 1,032 |
| Less: capitalized interest | - | (296) | - | (338) |
| **Total** | **663** | **244** | **1,960** | **694** |

## 15. OTHER (EXPENSE) INCOME – NET

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Insurance proceeds | - | 51 | 209 | 446 |
| Other | (175) | 345 | 66 | 556 |
| **Total** | **(175)** | **396** | **275** | **1,002** |

*All amounts in Canadian $000s, unless otherwise indicated*

## 16.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Financial instruments*

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contingent consideration, lease liabilities, loans payable and loans payable – related parties.

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying values because of the short-term nature.

The fair value of lease liabilities approximates their carrying value due to the specific non-tradeable nature of these instruments and given the discount rates used to recognize the liabilities and the market rates of interest.

The fair value of contingent consideration recognized in a business combination is initially measured at fair value on the date of acquisition using widely accepted valuation techniques (level 3) and is re-measured at fair value at each reporting period, with changes in fair value recognized in the consolidated statement of income (loss).

The fair value of loans payable approximates their carrying value due to the loans bearing interest at variable rates.

There were no transfers between the levels of the fair value hierarchy during the three and nine months ended September 30, 2024. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and nine months ended September 30, 2024.

### *Financial risk management and capital management*

There have been no significant developments in the Company's financial risk factors and capital management as included in the Company's consolidated financial statements as at and for the year ended December 31, 2023.

The following contractual maturities of financial obligations exist as at September 30, 2024:

| | < 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | 4,704 | - | - | - | - | - | 4,704 |
| Loan payments [1] | 3,084 | 3,126 | 2,988 | 11,569 | 2,381 | - | 23,148 |
| Loan payments – related party [1] | - | 1,100 | - | - | - | - | 1,100 |
| Lease payments [1] | 1,650 | 1,477 | 1,373 | 1,126 | 708 | 5,772 | 12,106 |
| **Total** | **9,438** | **5,703** | **4,361** | **12,695** | **3,089** | **5,772** | **41,058** |

(1) *Includes principal and interest.*

*All amounts in Canadian $000s, unless otherwise indicated*

## 17.RELATED PARTY BALANCES AND TRANSACTIONS

*Key management compensation*

The total value of compensation expenses and other fees for the board of directors and members of executive management of EverGen were as follows:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 | Sep 30, 2024 | Sep 30, 2023 |
| Salaries and benefits | 183 | 530 | 549 | 826 |
| Share-based payment expense | 103 | 141 | 481 | 484 |
| **Total** | **286** | **671** | **1,030** | **1,310** |

*Lease liabilities*

In July 2022, a subsidiary of the Company entered into a lease agreement with related parties to lease the land on which the GrowTEC facility is located for a term of ten years, with the option to extend for an additional two five-year periods, at the option of the Company. The lease payments for the initial term are $270 for the first year of the lease and $120 per year for the remaining nine years. During the three and nine months ended September 30, 2024, the Company incurred lease expenses of $30 and $90, respectively, relating to this lease (three and nine months ended September 30, 2023 - $30 and $165, respectively).

*Loans payable*

| | Total |
|---|---|
| At December 31, 2023 | 1,716 |
| Conversion to equity | (670) |
| Interest expense (note 14) | 75 |
| Loan payments | (122) |
| **Total principal** | **1,000** |
| **Less current portion** | **-** |
| **Long-term portion** | **1,000** |

Effective April 1, 2023, the Company entered into a loan agreement with the non-controlling interest holders of a subsidiary of the Company to provide proceeds of $710 to the Company to fund the non-controlling interest holders proportionate share of capital expenditure. The loan was repayable over a five-year term and bears interest at a rate of 4.0%. Effective January 1, 2024, the outstanding balance of this loan of $670 was converted into equity of the subsidiary and the loan agreement was terminated.

Effective December 1, 2023, the Company entered into a loan agreement with the parties related to the acquisition of GrowTEC to provide proceeds of $1,000 to the Company primarily to fund the repayment of amounts owing as contingent consideration related to the acquisition of the Company's 67% interest in GrowTEC in July 2022. The full outstanding balance of the loan is repayable on January 1, 2026, and bears interest at a rate of 10.0%, which the Company has the option to pay interest in cash, payment-in-kind, or a combination thereof. During the three and nine months ended September 30, 2024, the Company incurred interest expense of $25 and $75, respectively, relating to this loan (three and nine months ended September 30, 2023 - $nil).

*All amounts in Canadian $000s, unless otherwise indicated*

## 18.SUPPLEMENTARY CASH FLOW INFORMATION

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

| | Nine months ended Sep 30, 2024 | Sep 30, 2023 |
|---|---|---|
| Net changes in non-cash working capital: | | |
| Accounts receivable | (786) | 310 |
| Prepaid expenses and other assets | 415 | 114 |
| Accounts payable and accrued liabilities | 870 | (751) |
| Deferred revenue | (6) | (140) |
| | 491 | (467) |

## 19. SEGEMENTED INFORMATION

Operating segments are determined in a manner consistent with internal reporting provided to the chief operating decision maker for the purposes of allocating resources and assessing performance of the operating segments. For the three and nine months ended September 30, 2024 and 2023, the Company had two operating segments. The Company's segments are based on the type of operations and include RNG production and Organic waste and composting as follows:

| For the three months ended September 30, 2024 | RNG production | Organic waste and composting | Corporate and other | Total |
|---|---|---|---|---|
| Revenue | 1,778 | 1,820 | - | 3,598 |
| Direct operating costs | (1,470) | (1,730) | (19) | (3,219) |
| General and administrative expenses[1] | (264) | (509) | (80) | (853) |
| Finance costs | (388) | (229) | (46) | (663) |
| Equity-accounted loss | (110) | - | - | (110) |
| Contingent consideration gain | - | - | 826 | 826 |
| Other (expense) income - net | 12 | (193) | 6 | (175) |
| **Net income (loss) before income tax (expense) recovery** | (442) | (841) | 687 | (596) |

| For the three months ended September 30, 2023 | | | | |
|---|---|---|---|---|
| Revenue | 766 | 1,521 | - | 2,287 |
| Direct operating costs | (935) | (1,715) | (18) | (2,668) |
| General and administrative expenses[1] | (369) | (897) | (72) | (1,338) |
| Finance costs | (85) | (188) | 29 | (244) |
| Equity-accounted income | (45) | - | - | (45) |
| Other (expense) income - net | (107) | 326 | 177 | 396 |
| **Net income (loss) before income tax (expense) recovery** | (775) | (953) | 116 | (1,612) |

*All amounts in Canadian $000s, unless otherwise indicated*

| For the nine months ended September 30, 2024 | RNG production | Organic waste and composting | Corporate and other | Total |
|---|---|---|---|---|
| Revenue | 5,432 | 5,631 | - | 11,063 |
| Direct operating costs | (4,514) | (5,343) | (57) | (9,914) |
| General and administrative expenses[1] | (880) | (1,620) | (734) | (3,234) |
| Finance costs | (1,098) | (676) | (186) | (1,960) |
| Equity-accounted loss | (430) | - | - | (430) |
| Contingent consideration gain | - | - | 1,500 | 1,500 |
| Loss on write-down of assets | (238) | (114) | - | (352) |
| Loss on sale of assets | - | (155) | - | (155) |
| Other (expense) income - net | 148 | 79 | 48 | 275 |
| Net income (loss) before income tax (expense) recovery | (1,580) | (2,198) | 571 | (3,207) |

| For the nine months ended September 30, 2023 | | | | |
|---|---|---|---|---|
| Revenue | 1,572 | 4,556 | - | 6,128 |
| Direct operating costs | (2,531) | (4,625) | (55) | (7,211) |
| General and administrative expenses[1] | (1,296) | (2,699) | 431 | (3,564) |
| Finance costs | (180) | (543) | 29 | (694) |
| Equity-accounted loss | (81) | - | - | (81) |
| Contingent consideration gain | - | - | 90 | 90 |
| Other (expense) income - net | 231 | 535 | 236 | 1,002 |
| Net income (loss) before income tax (expense) recovery | (2,285) | (2,776) | 731 | (4,330) |

*(1) Allocated to each segment based on estimated use of corporate resources*

| As at September 30, 2024 | | | | |
|---|---|---|---|---|
| Total assets | **43,340** | **47,630** | **673** | **91,643** |

| As at December 31, 2023 | | | | |
|---|---|---|---|---|
| Total assets | 41,729 | 48,563 | 3,242 | 93,534 |