EVERGEN
Infrastructure Corp.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

Dated April 22, 2024

FINANCIAL AND OPERATIONAL HIGHLIGHTS SUMMARY

Core Renewable Natural Gas ("RNG") expansion and development projects: EverGen Infrastructure Corp. ("EverGen", "the Company", "we", "our", "us" or "its") delivered two core RNG expansion and development projects during 2023 and continues to progress on its remaining core RNG expansion and development projects and regional expansion across Canada.

Fraser Valley Biogas ("FVB")

During December 2023, EverGen announced the **successful completion of the FVB core RNG expansion project** and the delivery of first RNG. In March 2024, EverGen announced new **record daily and monthly RNG production** following the delivery of first RNG. This project commenced construction in Q3 2022, with a scope that included improvements to the feedstock processing system, installation of a new RNG upgrader, and the commissioning of a third anaerobic digestor. RNG production is expected to exceed initial expectations of ~160,000 gigajoules of RNG per year. The upgrades have removed processing bottlenecks, provided enhanced flood protection, improved environmental controls, and increased operational reliability to the facility. As at December 31, 2023, **EverGen has invested approximately $12 million into this project** before corporate overhead allocations and capitalized interest for an all-in **cost of approximately $13 million**.

Grow the Energy Circle Ltd. ("GrowTEC")

In July 2022, **EverGen completed the acquisition of a 67% interest in GrowTEC** and subsequently entered into construction on the first phase of a **core 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. 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. With the first phase of development complete, EverGen is moving into the second 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 ~140,000 gigajoules of RNG per year.

Prairie Sky Organics ("PSO")

In September 2023, **EverGen announced that it 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.

Pacific Coast Renewables ("PCR")

The **core RNG expansion project at Pacific Coast Renewables** is expected to add RNG production of ~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 core 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 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 2024.

Financing

In January 2023, EverGen signed a definitive agreement with its existing lender, Roynat Capital (a subsidiary of The Bank of Nova Scotia) ("Roynat") and Export Development Canada ("EDC") for a $31 million syndicated senior term loan (the "Term Loan Facility"). Roynat and EDC are each providing for 50% of the proceeds from the Term Loan Facility. The Term Loan Facility 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 FVB and $16 million at PCR. During the second quarter of 2023, EverGen made a drawdown of $9.5 million under the Term Loan Facility to finance the FVB core RNG expansion project. $16 million of the Term Loan Facility, related to the RNG construction at PCR, remains undrawn, until such time as the RNG project has commenced and certain conditions are met.

In September 2023, EverGen announced that it had signed a definitive agreement with Business Development Bank of Canada ("BDC") for a $7 million term loan to support the construction of the PSO facility. EverGen expects to draw on the Facility once capital expenditures are incurred at the permanent site.

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, including the procurement of depackaging equipment and front-end engineering and design work associated with the second phase of the core RNG expansion project. EverGen made a drawdown of $3.0 million under this facility in early-2024.

Leadership: In September 2023, EverGen announced that it had appointed Ford Nicholson as Interim Executive Chair, Mischa Zajtmann as Interim Chief Executive Officer and a Director of the Company, following the departure of Chase Edgelow. At the same time, Jamie Betts was appointed as Chief Operating Officer of the Company.

Cash and cash equivalents: Cash and cash equivalents decreased to $0.6 million as at December 31, 2023, compared to $8.9 million as at December 31, 2023, primarily due to capital expenditures related to the Company's core RNG expansion and development projects.

All amounts in Canadian $000s, unless otherwise indicated

	Three months ended				Year ended			
	Dec 31, 2023	Dec 31, 2022	$ Change	% Change	Dec 31, 2023	Dec 31, 2022	$ Change	% Change
FINANCIAL								
Revenue	2,314	1,716	598	35	8,442	7,459	983	13
Net loss	(1,765)	(1,526)	(239)	16	(4,743)	(4,110)	(633)	15
Net loss per share ($), basic and diluted	(0.12)	(0.11)	(0.01)	8	(0.32)	(0.30)	(0.02)	7
EBITDA [(1)]	(705)	(914)	209	(23)	(1,720)	(1,067)	(653)	61
Adjusted EBITDA [(1)]	(9)	274	(283)	(103)	773	1,986	(1,213)	(61)
Capital expenditures	2,743	3,723	(980)	(26)	17,493	10,973	6,520	59
Total assets	93,534	85,956	7,578	9	93,534	85,956	7,578	9
Total long-term liabilities	28,001	17,463	10,538	60	28,001	17,463	10,538	60
Cash and cash equivalents	585	8,852	(8,267)	(93)	585	8,852	(8,267)	(93)
Working capital surplus (deficit) [(1)]	(3,558)	6,125	(9,683)	(158)	(3,558)	6,125	(9,683)	(158)
COMMON SHARES (thousands)								
Outstanding, end of period	13,897	13,809	88	1	13,897	13,809	88	1
Weighted average – basic & diluted	13,890	13,847	43	-	13,852	13,593	259	2
OPERATING								
Incoming organic feedstock (tonnes)	22,768	16,972	5,796	34	80,608	76,730	3,878	5
Organic compost and soil sales (yards)	4,763	6,575	(1,812)	(28)	27,066	33,972	(6,906)	(20)
RNG (gigajoules)	22,926	10,847	12,079	111	62,891	51,848	11,043	21
Electricity (MWh)	669	572	97	17	3,116	1,270	1,846	145

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

Revenue: For the three months and year ended December 31, 2023, revenues increased 35% and 13%, respectively, compared to the same periods last year, primarily due to the commencement of RNG production at the GrowTEC RNG facility in late Q2-2023 and the commencement of operations at the PSO Organic waste and composting facility in late Q3-2023.

Net loss: For the three months and year ended December 31, 2023, net loss of $1,765 and $4,743 increased, compared to the same periods last year, mainly due to a decrease in insurance proceeds recognized for the year ended December 31, 2023, severance costs incurred (included in general and administrative expenses), an increase in finance costs due to an increase in interest rates and new leases entered into, and a loss on write-down of assets recognized in Q4-2023, partially offset by an increase in revenues, as described above, a decrease of a contingent consideration loss due to the timing of remeasurements of a liabilities associated with historical acquisitions, and an increase in income tax recovery.

Adjusted EBITDA: For the three months ended December 31, 2023, EverGen recorded adjusted EBITDA of ($9). The decrease in adjusted EBITDA was primarily due to a decrease in earnings at the FVB facility during the commissioning of the core RNG expansion project during Q4-2023, partially offset by an increase in revenues, as described above.

For the year ended December 31, 2023, EverGen recorded adjusted EBITDA of $773. The decrease in adjusted EBITDA was primarily due to a decrease in earnings at the FVB facility during the construction and commissioning of the core RNG expansion project, which was completed during late Q4-2023, and a decrease in insurance proceeds recognized, partially offset by an increase in revenues, as described above.

RNG Volumes: RNG production has increased during the three months and year ended December 31, 2023, compared to the same periods last year, following the first injection of RNG at GrowTEC in late Q2 2023. RNG production at FVB was impacted by commissioning of the core RNG expansion project during Q4 2023. Delivery of first RNG at the FVB RNG expansion project occurred in December 2023 and in March

2024, EverGen announced a new daily and monthly RNG production record at the facility of 450 gigajoules in a day and 9,716 gigajoules for February 2024.

BASIS OF PRESENTATION

EverGen has prepared this Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2023, as at April 22, 2024, in accordance with National Instrument 51-102F1, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, 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 all amounts are presented in thousands of dollars, unless otherwise indicated. This MD&A and the audited consolidated financial statements of EverGen have been prepared by management and approved by the Audit Committee of the Board of Directors as of April 22, 2024.

Additional information relating to the Company, including our Annual Information Form ("AIF") dated April 22, 2024, 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".

READER ADVISORIES

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

COMPANY OVERVIEW

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 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, an entity that holds a portfolio of three RNG projects under development in Canada.

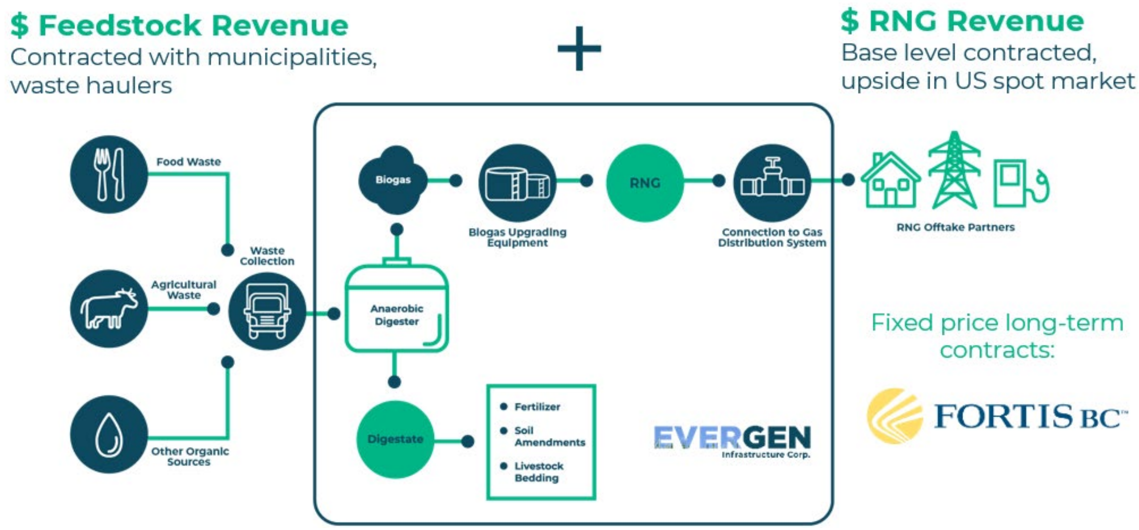
FVB is British Columbia's first RNG facility, which has historically sold its RNG under a long-term offtake contract with FortisBC and combines anaerobic digestion and biogas upgrading to produce RNG, primarily by converting agricultural waste from local dairy farms. In advance of finalizing the terms under a new long-term offtake agreement with FortisBC, replacing a vintage contract with FortisBC's current terms, the facility is currently operating under an interim offtake contract. In December 2023, the core RNG expansion project at FVB was completed, which added additional RNG production capacity to the facility and is expected exceed ~160,000 gigajoules 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 450 gigajoules.

PCR and SSS, based in British Columbia, and PSO, based in Regina, 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 under an existing 20-year off-take agreement. The expansion is expected to produce ~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 fourth quarter of 2022, EverGen commenced construction on improvements to the existing infrastructure to ensure the readiness of the facility for increased volumes of inbound organics, which was completed during Q1 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 biogas 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 second 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 ~140,000 gigajoules of RNG per year.

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 are expected to be constructed from 2024 through 2026. 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

During 2023, we successfully continued the expansion of our portfolio through the development of our core RNG expansion and development projects, as described above, which 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:

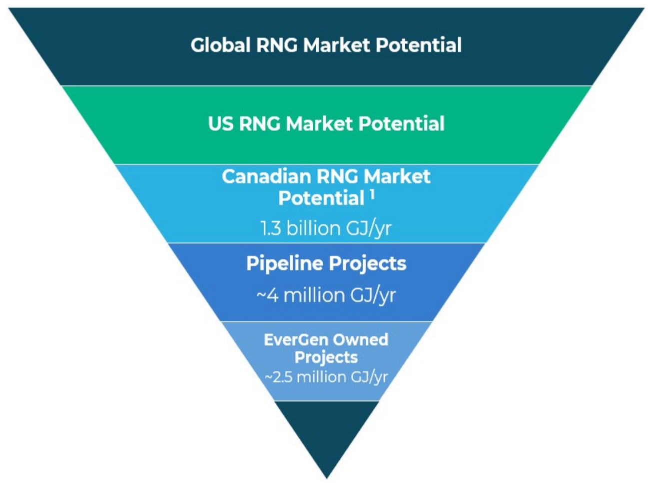
- Continuing development and construction of EverGen's existing portfolio of core RNG expansion projects;
- Optimizing and expanding existing organic waste processing facilities and RNG feedstock;
- Securing and optimizing long-term contracts for RNG offtake and feedstock to provide stable long-term 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 2024, EverGen expects to continue to develop its core RNG expansion and development projects through maximizing the production capacity of FVB and reaching final investment decisions at PCR, the second phase of GrowTEC, and Project Radius, as well as continue 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 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 ("ESG")

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

EverGen delivers on its ESG values as follows:

ENVIRONMENTAL

80,608 tonnes
Of organic waste diverted from landfill during 2023
2022: 76,730 tonnes

27,066 yards
of organic compost and soil produced during 2023
2022: 33,972 yards

62,891 GJs
Of renewable natural gas produced during 2023
2022: 51,848 GJs

3,116 MWh
Of electricity produced during 2023
2022: 1,270 MWh

SOCIAL

$60 million
Invested in global energy infrastructure

+46
Permanent green jobs created since 2020

75%
Indigenous workforce at Sea to Sky Soils site

GOVERNANCE

60%
Of board members are independent

40%
Of board members women

EverGen is proactively engaged with local businesses, such as restaurants and food and beverage producers and distributors, to advance socially conscious commerce and creates 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.

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.

All amounts in Canadian $000s, unless otherwise indicated

RESULTS OF OPERATIONS

Revenue

Revenue is generated primarily through contracted tipping fees charged to municipalities and other customers for the disposal of organic waste at EverGen's facilities, from the sale of high-quality organic compost and soils, from RNG sales and from hauling services associated with delivering organic waste and soil. From July 13, 2022, revenue also includes electricity sales by GrowTEC.

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, as well as trucking services and other, are all attributable to EverGen's organic waste and composting operating segment. RNG and electricity sales are all attributable to 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			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Tipping fees	1,574	1,204	31	5,777	5,389	7
Organic compost and soil sales	43	85	(49)	591	699	(15)
RNG sales	592	198	199	1,500	818	83
Electricity sales	95	225	(58)	560	460	22
Other	10	4	150	14	93	(85)
Total	**2,314**	**1,716**	**35**	**8,442**	**7,459**	**13**

Production volumes:

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Incoming organic feedstock (tonnes)	22,768	16,972	34	80,608	76,730	5
Organic compost and soil sales (yards)	4,763	6,575	(28)	27,066	33,972	(20)
RNG (gigajoules)	22,926	10,847	111	62,891	51,848	21
Electricity (MWh)	669	572	17	3,116	1,270	145

Revenues from tipping fees increased by $370, or 31%, and $388, or 7%, for the three months and year ended December 31, 2023, respectively, compared to the same periods last year, primarily due to increased volumes at all operating facilities, as well as the commencement of operation at PSO in September 2023.

Revenues from RNG production increased by $394, or 199%, and $682, or 83%, for the three months and year ended December 31, 2023, respectively, compared to the same periods last year, primarily due to the commencement of RNG production at GrowTEC in late Q2-2023 and increases in RNG pricing at FVB, partially offset by downtime during commissioning and construction associated with the FVB core RNG expansion project, which was completed in late-December 2023.

Revenue includes electricity sales from GrowTEC following the acquisition of a 67% interest of the company on July 13, 2022. Revenues from electricity sales decreased by $130, or 58%, for the three months ended December 31, 2023, compared to the same period last year, primarily due to a decrease in electricity prices.

All amounts in Canadian $000s, unless otherwise indicated

Revenue by segment:

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
RNG production	762	491	55	2,334	1,570	49
Organic waste and composting	1,552	1,225	27	6,108	5,889	4
Total	2,314	1,716	35	8,442	7,459	13

Direct operating costs

Direct operating costs are costs incurred to earn revenue and includes all attributable expenses, including labour, fuel charges, disposal costs, freight costs, hauling costs, the preparation and the processing of screening, blending and curing organic waste for conversion into saleable organic compost and soil, repairs and maintenance, equipment rental, insurance, utilities, licenses, permits 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			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Direct operating costs	2,695	2,350	15	9,906	9,952	-

Direct operating costs increased by $345, or 15%, for the three months ended December 31, 2023, compared to the same period last year, primarily due to the commencement of RNG production at GrowTEC in late Q2-2023 and depreciation and amortization associated with the acquisition of property, plant and equipment and right-of-use assets during late-2022 through Q4-2023. Direct operating costs for the year ended December 31, 2023 were consistent with last year due to an increase in depreciation and amortization expense which was offset by lower repairs & maintenance costs.

General and administrative expenses

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

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
General and administrative expenses	1,528	1,397	9	5,092	4,629	10

General and administrative expenses increased by $131, or 9%, for the three months ended December 31, 2023, compared to the same period last year, primarily due to an increase in legal fees associated with a dispute with the vendors regarding the contingent consideration relating to the acquisition of SSS and an increase in consulting and legal fees associated with severance costs.

General and administrative expenses increased by $463, or 10%, for the year ended December 31, 2023, compared to last year, primarily due to an increase in share-based payment expense in the year relative to the forfeiture of certain equity securities during 2022 and an increase in severance costs, partially offset by a decrease business development and consulting fees mainly due to the internal transfer of previously outsourced services.

All amounts in Canadian $000s, unless otherwise indicated

Finance costs

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

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Interest expense on loans payable	371	113	228	977	346	182
Interest expense on loans payable - related parties	7	-	100	22	-	100
Interest expense on lease liabilities	149	82	82	521	266	96
Other	109	(11)	(1,091)	148	(16)	(1,025)
	636	**184**	**246**	**1,668**	**596**	**180**
Less: capitalized interest	(264)	-	100	(602)	-	100
Total	**372**	**184**	**102**	**1,066**	**596**	**79**

Finance costs increased by $188, or 102%, and $470, or 79%, for the three months and year ended December 31, 2023, respectively, compared to the same periods last year, primarily due to an increase in interest rates and new leases entered into during 2023 and late-2022 to support business growth.

Contingent consideration (loss) gain

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Contingent consideration (loss) gain	(17)	(310)	(95)	73	(400)	(118)

A contingent consideration gain of $73 was recognized during the year ended December 31, 2023, compared with a loss of $400 last year, as a result of adjustments of the liability relating to amounts payable in connection with the acquisition of GrowTEC, taking into account estimated holdbacks, and a reassessment of the liability associated with the SSS acquisition following the ongoing proceedings of a dispute related to working capital adjustments.

Other income – net

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Insurance proceeds	782	655	19	1,228	3,120	(61)
Carbon credits and other	30	(14)	(314)	586	286	105
Total	**812**	**641**	**27**	**1,814**	**3,406**	**(47)**

Other income - net increased during the three months December 31, 2023, compared to the same period last year, primarily due to an increase in the recognition of insurance proceeds. Other income – net decreased for the year ended December 31, 2023, compared to prior year, primarily due to a decrease in the recognition of insurance proceeds relating to flood-related expenditures incurred due to the flooding events in the Abbotsford and Sumas Prairie regions during late-2021.

All amounts in Canadian $000s, unless otherwise indicated

Income taxes

Income taxes consist of current and deferred income taxes.

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Current tax expense (recovery)	(18)	-	100	-	4	(100)
Deferred tax expense (recovery)	(307)	(442)	(31)	(1,677)	(744)	125
Total	**(325)**	**(442)**	**(26)**	**(1,677)**	**(740)**	**127**

The increase in income tax recovery for the year ended December 31, 2023, compared to the same period last year, is primarily due to an increase in net loss.

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

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Net loss	(1,765)	(1,526)	16	(4,743)	(4,110)	15
Tax (recovery)	(325)	(442)	(26)	(1,677)	(740)	127
Depreciation and amortization	1,013	870	16	3,634	3,187	14
Finance costs	372	184	102	1,066	596	79
EBITDA [(1)]	**(705)**	**(914)**	**(23)**	**(1,720)**	**(1,067)**	**61**
Share-based payment expense	80	121	(34)	641	433	48
Loss on sale of equipment	-	51	(100)	-	96	(100)
Non-recurring general and administrative expenses and other	(28)	597	(105)	1,208	2,012	(40)
Contingent consideration loss (gain)	17	310	(95)	(73)	400	(118)
Non-recurring general and administrative expenses and other related to equity-accounted investment	11	46	(76)	61	85	(28)
Loss on write-down of assets	581	-	100	581	-	100
Consolidated adjusted EBITDA [(1)]	**(44)**	**211**	**(121)**	**698**	**1,959**	**(64)**
Adjusted EBITDA attributable to non-controlling interest	35	63	(44)	75	27	178
Adjusted EBITDA [(1)]	**(9)**	**274**	**(103)**	**773**	**1,986**	**(61)**

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

EverGen's EBITDA of ($705) increased for the three months ended December 31, 2023, compared to the same period last year, primarily due to an increase in revenues, as described above, and a decrease in contingent consideration loss, partially offset by a loss on write-down of assets recognized during the three months ended December 31, 2023 and an increase in general and administrative expenses, as described above.

All amounts in Canadian $000s, unless otherwise indicated

EverGen's Adjusted EBITDA of ($9) decreased for the three months ended December 31, 2023, compared to the same period last year, primarily due to a decrease in earnings at the FVB facility during the commissioning of the core RNG expansion project during Q4-2023, an increase of certain legal fees included in general and administrative costs, partially offset by an increase in revenues, as described above.

EverGen's EBITDA of ($1,720) decreased for the year ended December 31, 2023, compared to last year, primarily due to a decrease in insurance proceeds and an increase in general and administrative expenses, as described above, partially offset by an increase in revenues and other income and a decrease in contingent consideration loss.

EverGen's Adjusted EBITDA of $773 decreased for the year ended December 31, 2023, compared to last year, primarily due to a decrease in earnings at the FVB facility during the construction and commissioning of the core RNG expansion project, which was completed during late Q4-2023, and a decrease in insurance proceeds partially offset by an increase in revenues, as described above.

CAPITAL EXPENDITURES

Capital expenditures include purchases of property, plant and equipment used for operations as well as acquisitions.

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Capital expenditures – property plant and equipment	2,743	3,473	(21)	16,477	7,669	115
Capital expenditures – acquisitions	-	250	(100)	1,016	3,304	(69)
Total	**2,743**	**3,723**	**(26)**	**17,493**	**10,973**	**59**

Capital expenditures – property, plant and equipment during the three months and year ended December 31, 2023 and 2022, related primarily to the Company's core RNG expansion projects at FVB, PCR and GrowTEC, as well as existing infrastructure capital improvements at PCR.

Capital expenditures – acquisitions during the year ended December 31, 2023 related to a contingent consideration payment made in relation to the Company's acquisition of a 67 percent interest in GrowTEC.

Capital expenditures - acquisitions during the three months ended December 31, 2022, includes a capital contribution to Project Radius. Capital acquisitions for the year ended December 31, 2022, includes the Company's acquisition of a 67% interest in GrowTEC and $1,250 of equity investment into Project Radius.

All amounts in Canadian $000s, unless otherwise indicated

SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended		
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
FINANCIAL			
Revenue	8,442	7,459	9,564
Net loss	(4,743)	(4,110)	(1,953)
Net loss per share ($), basic and diluted	(0.32)	(0.30)	(0.18)
EBITDA (1)	(1,720)	(1,067)	836
Adjusted EBITDA (1)	773	1,986	2,839
Capital expenditures	17,493	10,973	12,234
Total assets	93,534	85,956	80,610
Total long-term liabilities	28,001	17,463	14,764
Cash and cash equivalents	585	8,852	19,597
Working capital surplus (deficit)	(3,558)	6,125	20,545
COMMON SHARES (thousands)			
Outstanding, end of period	13,897	13,809	13,367
Weighted average – basic & diluted	13,852	13,593	11,029
OPERATING			
Incoming organic feedstock (tonnes)	80,608	76,760	94,206
Organic compost and soil sales (yards)	27,066	33,972	61,790
RNG (gigajoules)	62,891	51,484	55,380
Electricity (MWh)	3,116	1,270	-

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

Following its formation in 2020, EverGen has been executing on its corporate strategy to acquire and develop existing underutilized RNG infrastructure, convert existing organic waste facilities into RNG infrastructure and build and operate new RNG infrastructure. On December 31, 2020, EverGen acquired PCR and SSS. On April 16, 2021, EverGen acquired FVB and on July 13, 2022, EverGen acquired GrowTEC. EverGen completed the FVB core RNG expansion project on December 21, 2023. EverGen's total assets have increased as a result of these acquisitions and through investing capital into core RNG expansion projects resulting in a decrease in cash and cash equivalents, as well as working capital, while these projects were under construction.

All amounts in Canadian $000s, unless otherwise indicated

SUPPLEMENTAL QUARTERLY INFORMATION

	2023				2022			
	Dec 31 Q4	Sep 30 Q3	June 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	June 30 Q2	Mar 31 Q1
FINANCIAL								
Revenue	2,314	2,287	2,158	1,683	1,716	1,957	2,359	1,427
Net (loss) income	(1,765)	(1,091)	(891)	(996)	(1,526)	(1,819)	(546)	(219)
Net (loss) income per share ($), basic and diluted	(0.12)	(0.08)	(0.06)	(0.07)	(0.11)	(0.13)	(0.04)	(0.02)
EBITDA[(1)]	(705)	(440)	(387)	(188)	(914)	(486)	(154)	481
Adjusted EBITDA[(1)]	(9)	382	382	18	274	650	426	631
Capital expenditures – property, plant and equipment	2,743	5,583	2,841	5,310	3,473	1,492	1,349	1,355
Capital expenditures – acquisitions	-	1,016	-	-	250	2,054	1,000	-
Total assets	93,534	92,280	94,814	88,216	85,956	85,692	78,581	79,771
Total long-term liabilities	28,001	27,640	28,214	18,749	17,463	17,462	14,453	14,522
Working capital surplus (deficit)[(1)]	(3,558)	325	6,997	1,143	6,125	10,079	16,524	19,196
COMMON SHARES (thousands)								
Outstanding, end of period	13,897	13,885	13,845	13,845	13,809	13,872	13,307	13,367
Weighted average – basic & diluted	13,890	13,851	13,845	13,820	13,847	13,794	13,357	13,367
OPERATING								
Incoming organic feedstock (tonnes)	22,768	18,983	20,955	17,902	16,972	19,375	24,336	16,047
Organic compost and soil sales (yards)	4,763	10,425	10,365	894	6,575	8,219	13,778	5,400
RNG sales (gigajoules)	22,926	24,657	6,442	8.866	10,847	14,975	20,254	5,772[(2)]
Electricity (MWh)	669	717	920	810	572	698	-	-

(1) Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.
(2) Reduced as a result of flooding events that occurred in Q4 2021.

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 of 2021, certain of EverGen's operating facilities were impacted by severe flooding, which impacted the FVB RNG facility and was not operational during periods in Q1 2022. 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.

EverGen is committed to the expansion of its operations through the development of its existing portfolio and the optimization and development of existing organic waste processing facilities and RNG production facilities. The Company has been investing in its core RNG expansion projects since mid-2021.

All amounts in Canadian $000s, unless otherwise indicated

LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2023	December 31, 2022	% Change
Cash and cash equivalents	585	8,852	(93)
Working capital surplus (deficit) [(1)]	(3,558)	6,125	(158)

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

We consider our capital to consist of shareholders' equity, 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 assesses its ability to meet its on-going obligations using the non-GAAP measures of EBITDA and adjusted EBITDA. These metrics are key measures of liquidity and the management of capital resources.

EverGen's cash and cash equivalents and working capital surplus decreased as at December 31, 2023, compared to December 31, 2022, and at as December 31, 2023 EverGen had a working capital deficit primarily due to the delayed commencement of RNG production at Grow the Energy Circle Ltd. along with greater than expected capital costs associated with the RNG expansion at Fraser Valley Biogas Ltd. EverGen expects that it will need to obtain additional sources of financing, in addition to amounts generated from operations, to meet its obligations and commitments and minimum liquidity requirements under its financial covenants. Additional potential sources of financing that the Company is actively pursuing or may consider pursuing, include: 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 the Company's business interests. EverGen is actively pursuing or may pursue the financing initiatives described above, certain of which have been completed as described below, and others which it considers probable of completion based on the Company's assessment of current conditions and estimated future conditions. The Company is in various stages of progression on these matters. As at December 31, 2023, EverGen was committed to $3.5 million of future capital expenditure, primarily related to the core RNG expansion project at PCR. These commitments are expected to be funded by existing liquidity, expected future operating cash flows and additional sources of financing.

As at December 31, 2023 EverGen was not in compliance with certain of its covenant requirements under a syndicated term loan and obtained a waiver from the lenders, as at that date, for limited suspension of the covenant compliance requirements under the facility.

In January 2023, EverGen announced that it had entered into an agreement for a $31 million syndicated senior term loan, which provides sufficient funding for the Company's planned core RNG expansion projects, when combined with the Company's existing liquidity, grant proceeds and expected future operating cash flows. During the year ended December 31, 2023, EverGen made a drawdown of $9,475 under this term loan agreement.

In January 2024, the Company executed a debt-to-equity conversion with the minority shareholders of GrowTEC.

In January 2024, 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, including the procurement of depackaging equipment and front-end engineering and design work associated with the second phase of the core RNG expansion project. EverGen made a drawdown of $3.0 million under this facility in early-2024.

All amounts in Canadian $000s, unless otherwise indicated

Share capital

The Company had the following outstanding common shares and equity instruments as at December 31, 2023, and December 31, 2022:

(thousands)	December 31, 2023	December 31, 2022	% Change
Common shares	13,897	13,809	1
Share warrants	-	1,772	(100)
Options	335	142	136
Performance share units	430	430	-
Restricted share units	214	209	2
Deferred share units	28	28	-
Total outstanding securities	**14,904**	**16,390**	**(9)**

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	13,930
Options	523
Performance share units	430
Restricted share units	228
Deferred share units	66
Total outstanding securities	**15,177**

Use of proceeds

On August 4, 2021, EverGen completed an initial public offering. As at December 31, 2023, the Company used the proceeds from the offering, compared to the intended use of the proceeds, as follows:

	Intended use of net proceeds	Use of net proceeds as at December 31, 2023	% Change
Project development, construction and expansion	10,750	14,015	30
Further development and acquisition activities	6,569	3,304	(50)
Total	**17,319**	**17,319**	**-**

EverGen used more proceeds than intended from the initial public offering for project development relating to the Company's core RNG expansion projects at FVB, PCR and GrowTEC, which has no impact on the Company's ability to continue to drive the consolidation and the growth of the RNG industry.

All amounts in Canadian $000s, unless otherwise indicated

Summary of Cash Flows

	Year ended December 31, 2023	December 31, 2022	% Change
Net operating cash flow	307	(751)	(141)
Net investing cash flow	(16,657)	(7,475)	123
Net financing cash flow	8,083	(2,519)	(421)
Total	**(8,267)**	**(10,745)**	**(23)**

The Company's net operating cash flows increased for the year ended December 31, 2023, compared to last year, primarily due to an increase in revenues, as described above and the timing of changes in non-cash working capital, partially offset by higher insurance proceeds received during the year ended December 31, 2022, relating to lost revenues and additional flood-related costs incurred at FVB and PCR.

EverGen has continued its focus on the investment into its facilities for the year ended December 31, 2023, 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 intended to significantly increase EverGen's RNG production, net income and EBITDA, the Company is in the process of purchasing capital assets, including the capital assets purchased related to the completion of the FVB core RNG expansion project. 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 is due and payable to EverGen on June 30, 2024.

Cash used in investing activities for the year ended December 31, 2022, relates to property, plant and equipment expenditures associated with the Company's core RNG expansion projects at PCR and FVB and capital improvements at PCR. In addition, EverGen made a capital investment of $1,250 in Project Radius and completed the acquisition of 67% interest in GrowTEC for initial cash consideration of $2,054. These investments were partially offset by the release of restricted cash related to acquisition holdbacks.

Cash provided by financing activities for the year ended December 31,2023, increased compared to last year primarily due to the drawdown of the Term Loan Facility and advances from related parties during the year ended December 31,2023, partially offset by an increase in lease payments.

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.

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.

The Company's uses of estimates, judgements and assumptions are included in Note 2 to the Company's 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 year ended December 31, 2023.

All amounts in Canadian $000s, unless otherwise indicated

MANAGEMENT'S 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, 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 the year ended December 31, 2023 there were no changes in ICFR that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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. There were no fees paid to the board of directors of the Company during the three months and year ended December 31, 2023 and 2022.

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	% Change	Dec 31, 2023	Dec 31, 2022	% Change
Salaries and benefits	213	174	22	1,039	534	95
Share-based payment expense	84	108	(22)	568	348	63
Total	297	282	5	1,607	882	82

Other related party transactions

In July 2022, GrowTEC entered into a lease agreement with a 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 the EverGen. The lease agreement is with entities which are 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 months and year ended December 31, 2023, the Company incurred lease expenses of $30 and $195, respectively, relating to this lease (year ended December 31, 2022- $67 and $135, respectively).

Effective April 1, 2023, EverGen entered into a loan agreement with the non-controlling interest holders of GrowTEC to provide proceeds of $710 to fund the non-controlling interest holders proportionate share of capital expenditure. The loan is repayable over a five-year term and bears interest at a rate of 4.0%. Effective January 1, 2024, this loan was converted to equity within GrowTEC and will be treated as a contribution from non-controlling interests.

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 primarily fund the repayment of amounts owing as contingent consideration related to the acquisition of the 67% interest in GrowTEC in July 2022. The full outstanding balance of the loan is repayable on January 1, 2025, 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.

OFF BALANCE SHEET ARRANGEMENTS

During the three months ended December 31, 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 December 31, 2023, the Company's financial instruments consists of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, loans payable and loans payable – related parties.

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. We are also subject to the risks arising from adverse changes in global economic and political conditions. Political conditions such as government commitments and policies towards environmental protection and renewable energy may change over time. Economic conditions in leading and emerging economies have been, and remain, unpredictable.

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.

Financial risk management

The Company is exposed to market risk (i.e., interest rate risk, foreign currency risk and commodity risk), credit risk and liquidity risk. The following is a description of these risks and how they are managed:

Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and changes in market prices due to factors other than interest rates or foreign currency exchange rates, such as changes in commodity prices or credit spreads.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the impact of interest rate changes, primarily through its floating-rate borrowings that require it to make interest payments based on the Canadian Variable Rate. Significant increases in interest rates could adversely affect operating margins, results of operations and the Company's ability to service its debt.

At December 31, 2023, the Company is exposed to interest rate risk with respect to its loans payable. A 50 basis points increase or decrease, respectively, in the Company's interest rates is expected to increase or decrease finance costs for the year ended December 31, 2023 by $49 or $54, respectively.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk on customer accounts receivable is influenced mainly by the individual characteristics of each debtor and is concentrated with a few customers, primarily municipal governments and the Company is therefore able to monitor credit risk on an individual account basis and apply lifetime expected loss provisions where any uncertainty on collectability is identified.

The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. The Company considers the credit worthiness of counterparties and past payment history as well as amounts past due.

The Company regularly monitors customers' payments and considers all amounts greater than 60 days to be past due. As at December 31, 2023, the Company had $178 of contractual payments, included in accounts receivable, which are greater than 60 days past due. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements. Based on only insignificant amounts of historical bad debts, as well as minimal expectation of future losses as a result of default, the Company has determined its credit risk to be low.

The Company held cash and cash equivalents of $585 at December 31, 2023, which represents its maximum credit exposure on these assets (December 31, 2022 - $8,852 cash and cash equivalents and $20 restricted cash). The cash is held with major financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2023, the Company had a working capital deficit, being current assets less current liabilities, of $3,558.

The Company's primary liquidity needs for the next twelve months are to pay existing committed capital expenditures, to make scheduled repayments of debt, to pay debt service costs, to pay direct operating costs, to fund general working capital requirements and to manage its working capital deficit.

See the Liquidity and Capital Resources section above for an assessment of EverGen's ability to meet these obligations for at least the one-year period to December 31, 2024.

Other risks

The Company is also exposed to a number of other risks and uncertainties. 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.

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, profitability and meet financial commitments.

These non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS 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)	December 31, 2023	December 31, 2022	% Change
Current assets	4,396	13,236	(67)
Current liabilities	(7,954)	(7,111)	12
Working capital surplus (deficit)	(3,558)	6,125	(158)

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable Canadian securities laws that involve risks, uncertainties and assumptions and relate to the Company's current expectations 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 and inbound organic feedstock capacity;
- 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 forward-looking 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 the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. 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.

Consolidated Financial Statements

For the year ended December 31, 2023

Independent auditor's report

To the Shareholders of EverGen Infrastructure Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EverGen Infrastructure Corp. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill *Refer to note 2 – Basis of preparation, note 3 – Material accounting policies and note 9 – Goodwill to the consolidated financial statements.* The Company had goodwill of $15.9 million as at December 31, 2023. Goodwill is tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would indicate that the recoverable amount of a reporting unit was below its carrying value. An impairment loss is recognized if the carrying amount of a cash generating unit (CGU) to which the goodwill relates exceeds its recoverable amount. The recoverable amount of each CGU was based on a fair value less cost of disposal method estimated using a discounted cash flow model. Significant assumptions used by management in the discounted cash flow model included estimates of uncontracted cash flows, increases in production levels following capital expenditure, capital expenditures costs and discount rate for each CGU. No impairment was recognized as a result of the 2023 goodwill impairment assessments. We considered this a key audit matter due to the significance of the goodwill balance and the significant judgment by management in determining the recoverable amount of the CGUs, including the use of significant assumptions. This in turn led to a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the underlying data used in the discounted cash flow models. – Tested the reasonableness of the assumptions related to uncontracted cash flows, increases in production levels following capital expenditure and capital expenditures costs estimated by management in the discounted cash flow models by comparing them to the budget, historical actuals, management's strategic plans and available third party published economic data. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies.

and knowledge in the field of valuation assisted us
in performing our procedures.

Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Ranbir Gill.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 22, 2024

All amounts in Canadian $000s, unless otherwise indicated

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	Notes	2023	2022
Current assets			
Cash and cash equivalents		585	8,852
Restricted cash		-	20
Accounts receivable	5	1,717	3,325
Assets held for sale	6	650	-
Prepaid expenses and other assets	10	1,444	1,039
		4,396	**13,236**
Property, plant and equipment	7	48,306	29,789
Intangible assets	8	23,886	25,881
Goodwill	4,9	15,938	15,938
Equity-accounted investment	10	1,008	1,112
Total assets		**93,534**	**85,956**
Current liabilities			
Accounts payable and accrued liabilities	11	6,195	3,547
Loans payable	12	744	700
Loans payable – related parties	24,27	204	-
Lease liabilities	13	809	543
Deferred revenue		2	142
Contingent consideration	14	-	2,179
		7,954	**7,111**
Loans payable	12	13,938	5,059
Loans payable – related parties	24,27	1,512	-
Lease liabilities	13	6,952	5,238
Contingent consideration	14	1,500	1,390
Deferred tax	21	4,099	5,776
Total liabilities		**35,955**	**24,574**
Shareholders' equity			
Share capital	15b	61,763	61,393
Share warrants	15c	-	1,069
Contributed surplus	15a, 15c	5,926	4,410
Accumulated deficit	15b	(12,367)	(7,956)
Non-controlling interest	4	2,257	2,466
Total shareholders' equity		**57,579**	**61,382**
Total liabilities and shareholders' equity		**93,534**	**85,956**

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

Basis of presentation and liquidity risk 2c
Commitments 7,23
Subsequent events 27

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

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

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

For the year ended December 31	Notes	2023	2022
Revenue	16	8,442	7,459
Direct operating costs	7, 8, 17	(9,906)	(9,952)
General and administrative expenses	15d, 18	(5,092)	(4,629)
Finance costs	19	(1,066)	(596)
Equity-accounted loss	9	(104)	(138)
Contingent consideration gain (loss)	14	73	(400)
Loss on write-down of assets	6,7	(581)	-
Other income – net	20	1,814	3,406
Net loss before income tax (expense) recovery		(6,420)	(4,850)
Income tax (expense) recovery	21		
Current		-	(4)
Deferred		1,677	744
Net loss and comprehensive loss		(4,743)	(4,110)
Non-controlling interest in net loss and comprehensive loss		321	11
Net loss and comprehensive loss attributable to shareholders		(4,422)	(4,099)
Loss per share attributable to shareholders – basic and diluted		($0.32)	($0.30)
Weighted average number of common shares outstanding – basic and diluted	22	13,852	13,593

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

All amounts in Canadian $000s, unless otherwise indicated

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(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, 2022		13,809	61,393	1,772	1,069	4,410	(7,956)	2,466	61,382
Net loss for the period		-	-	-	-	-	(4,422)	(321)	(4,743)
Share-based payment expense	15d,18	-	-	-	-	643	(2)	-	641
Capitalized share-based payment expense	7,15	-	-	-	-	165	-	-	165
Contributions from non-controlling interest in subsidiaries		-	-	-	-	-	-	100	100
Expiration of share warrants	15c	-	-	(1,772)	(1,069)	1,069	-	-	-
Common shares issued upon vesting of RSUs and other	15d	88	370	-	-	(361)	13	12	34
Balance, December 31, 2023		13,897	61,763	-	-	5,926	(12,367)	2,257	57,579
Balance, December 31, 2021		13,367	60,597	2,682	3,484	1,477	(4,186)	-	61,372
Net loss for the period		-	-	-	-	-	(4,099)	(11)	(4,110)
Repurchase of common shares		(163)	(795)	-	-	-	329	-	(466)
Share-based payment expense	15d,18	-	-	-	-	433	-	-	433
Capitalized share-based payment expense	7,15	-	-	-	-	114	-	-	114
Acquisition of subsidiary	4	600	1,560	-	-	-	-	2,477	4,037
Expiration of share warrants	15c	-	-	(910)	(2,415)	2,415			-
Common shares issued upon vesting of RSUs and other	15d	5	31	-	-	(29)	-	-	2
Balance, December 31, 2022		13,809	61,393	1,772	1,069	4,410	(7,956)	2,466	61,382

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

All amounts in Canadian $000s, unless otherwise indicated

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31	Notes	2023	2022
Operating activities			
Net loss		(4,743)	(4,110)
Adjustments for:			
Depreciation and amortization	7,8	3,634	3,187
Loss on sale of property, plant and equipment	7	-	96
Loss on write-down of assets	6,7	581	-
Share-based payment expense	15d	641	433
Finance costs	19	1,066	596
Equity-accounted loss	10	104	138
Contingent consideration (gain) loss	14	(73)	400
Deferred income tax recovery	21	(1,677)	(744)
Changes in non-cash working capital	25	774	(747)
Net cash flow from (used) in operating activities		**307**	**(751)**
Investing activities			
Consideration paid in business combination	4	-	(2,054)
Cash and cash equivalents acquired in business combination	4	-	59
Expenditures on property, plant and equipment	7	(16,477)	(7,332)
Finance costs capitalized on assets under construction	7,19	(602)	-
Insurance proceeds for property, plant and equipment	7	1,938	333
Disposals of property, plant and equipment	7	-	81
Contingent consideration payment	14	(1,016)	-
Investment in equity-accounted investment	10	-	(1,250)
Loan advanced to equity-accounted investment	10	(500)	-
Changes in restricted cash		-	2,688
Net cash flow used in investing activities		**(16,657)**	**(7,475)**
Financing activities			
Advances of loans payable	12	9,475	10
Advances of loans payable – related parties	14,24	710	-
Repayment of loans payable	12	(234)	(709)
Financing costs related to loans payable	12	(197)	(268)
Interest paid on loans payable	19	(375)	(346)
Payment of lease liabilities	13	(801)	(470)
Interest paid on lease liabilities	19	(521)	(266)
Capital provided by non-controlling interest in subsidiaries		100	-
Repurchase of common shares	15e	-	(466)
Changes in restricted cash		20	(20)
Other		(94)	16
Net cash flow from (used in) financing activities		**8,083**	**(2,519)**
Net change in cash		(8,267)	(10,745)
Cash and cash equivalents at beginning of year		8,852	19,597
Cash and cash equivalents at end of year		**585**	**8,852**

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

Supplemental cash flow information note 25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

As at December 31, 2023, EverGen Infrastructure Corp. ("EverGen" or the "Company") operates three organic waste management facilities and two renewable natural gas ("RNG") 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 AND LIQUIDITY RISK

a) Statement of compliance

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

The policies applied in these consolidated financial statements are based on IFRS Accounting Standards issued, effective and outstanding as of December 31, 2023 and the accounting policies in note 3 have been applied consistently to all years presented in these consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 22, 2024.

b) Basis of measurement, functional and presentation currency

These 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.

c) Liquidity risk

As at December 31, 2023, the Company had a working capital deficit of $3,558 primarily relating to outstanding accounts payable and accrued liabilities from capital expenditures incurred within the Company's RNG operating segment.

As a result of the delayed commencement of RNG production at Grow the Energy Circle Ltd. along with greater than expected capital costs associated with the RNG expansion at Fraser Valley Biogas Ltd., the Company expects that it will need to obtain additional sources of financing, in addition to amounts generated from operations, to meet its obligations and commitments and minimum liquidity requirements under its financial covenants. Additional potential sources of financing that the Company is actively pursuing or may consider pursuing, include: 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 the Company's business interests.

Certain of the above initiatives have been completed subsequent to the statement of financial position date. In January 2024, the Company executed a debt-to-equity conversion agreement and entered into a term loan agreement which provides for borrowings of $3,500. See note 27 for additional information.

Based on the Company's liquidity position at December 31, 2023, the cash flows that the Company expects to generate from operations over the following year, and taking into account the Company's plans to raise additional liquidity, the Company expects to be able to meet its obligations as they become due in the normal course of business for at least the next twelve months from December 31, 2023.

All amounts in Canadian $000s, unless otherwise indicated

d) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities which the Company has exposure to, or has rights to, variable returns from its involvement with the entity and has the ability to use power over the investee to affect its returns. The accounts of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, transactions, revenues and expenses are eliminated in full in these consolidated financial statements and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

e) Subsidiaries

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date when control is lost. The following provides information about the Company's wholly owned consolidated subsidiaries as at December 31, 2023:

Name of subsidiary	Jurisdiction	Ownership percentage
Pacific Coast Renewables Corp.	British Columbia, Canada	100%
Sea to Sky Soils and Composting Inc.	British Columbia, Canada	100%
Fraser Valley Biogas Ltd.	British Columbia, Canada	100%
Prairie Sky Organics Ltd	Saskatchewan, Canada	100%
1000208169 Ontario Inc.	Ontario, Canada	100%
Grow the Energy Circle Ltd.	Alberta, Canada	67%

The Company has determined that Grow the Energy Circle Ltd. ("GrowTEC") is a non-wholly owned subsidiary of the Company based on its assessment of control. For non-wholly owned subsidiaries, control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

f) Joint Ventures

The Company accounts for its interests in jointly controlled entities using the equity method (note 10). The investment is initially recognized at cost and subsequent to initial recognition, the carrying value of the Company's interest in a joint venture is adjusted for the Company's share of comprehensive income (loss) and equity transactions of the investee. Profit and losses resulting from transactions with a joint venture are recognized in the consolidated financial statements based on the interests of unrelated investors in the investee. The carrying value of joint ventures is assessed for impairment at each reporting date. Impairment losses on equity-accounted investments may be subsequently reversed in net loss.

g) New standards, interpretations and amendments adopted by the Company

There are no new standards not yet adopted that are expected to have a material impact on the Company's financial statements.

h) Critical accounting judgements

Impairment

At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to property and equipment, intangible assets, goodwill and equity-accounted investments. Goodwill is tested for impairment at least annually (note 9). If any such indicator exists, then an impairment test is performed by management to determine whether carrying amounts exceed recoverable values. Such indicators include but are not limited to changes in the Company's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

At December 31, 2023, the Company concluded that there were no impairment indicators present for property, plant and equipment, intangibles assets, goodwill and equity-accounted investments.

i) Estimation uncertainty

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Critical estimates made by management and utilized in the normal course of preparing the Company's consolidated financial statements are outlined below.

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

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

Contingent consideration is initially measured at fair value on the date of acquisition using a probability weighted average of payouts associated with each possible outcome, discounted using the estimated credit risk for the Company. A liability has been recognized for contingent consideration, which is revalued each reporting period using a consistent measurement technique as at acquisition.

Management applied significant judgment in estimating the fair value of intangible assets acquired. The intangible assets acquired were valued using the multi-period excess earnings method using a discounted cash flow model. Significant assumptions within the valuation related to revenue, operating margin forecasts and discount rates.

Impairment

The recoverable amounts of each cash-generating unit ("CGU") is the higher of its fair value less cost of disposal ("FVLCD") and its value in use. The FVLCD calculation is based on the discounted cash flow model. Significant assumptions used by management in the discounted cash flow model include contracted cash flows, estimates of uncontracted cash flows, increases in production levels following capital expenditure, capital expenditure cost and discount rates for each CGU. Assumptions on uncontracted cash flows are based on several variables, such as comparing the specifications on a particular CGU with actual results of other CGUs and assumptions on rates to be achieved from external sources.

All impairment assessment calculations demand a high degree of estimation uncertainty. Management makes complex assessments of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates could have a significant impact on the carrying value of CGUs.

Depreciation and amortization

The cost of the Company's property, plant and equipment are depreciated on a straight-line basis over each asset's estimated useful life to an estimated residual value. The estimated useful life of the Company's property, plant and equipment including individual components, takes into account design life, commercial considerations and regulatory restrictions. These estimates may change as more knowledge is obtained or as general market conditions change, or as technological advancements are made. The determination of the components, if any, of an asset and the estimated useful life of such asset or components involves judgment. The cost of the Company's intangible assets are amortized on a straight-line basis over their estimated useful lives.

Going concern

The Company's assessment of its ability to continue operating on a going concern basis requires judgment and the estimation of the probability in obtaining additional sources of financing to meet its obligations and commitments and minimum liquidity requirements under its financial covenants.

3. MATERIAL ACCOUNTING POLICIES

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

a) Business combinations

Business combinations are accounted for using the acquisition method, where the identifiable assets acquired and liabilities assumed are recognized and measured at their fair value at the date of acquisition, with the exception of income taxes, which is measured arising from the assets acquired and liabilities assumed in the business combination and lease liabilities, which are measured as if the lease contract were a new lease at the acquisition date. Any excess of the purchase price over the value of the net assets acquired is recognized as goodwill and any deficiency of the purchase price over the value of the net assets acquired is recorded as a gain in net loss. The preliminary purchase price allocation is based on management’s best estimate of the assets acquired and liabilities assumed, based on information available at that time. Amendments may be required to estimates used to value the net assets acquired once values subject to estimation are finalized. At acquisition, goodwill is allocated to each of the CGUs to which it relates. Subsequent measurement of goodwill is at cost less any accumulated impairment losses. Associated transaction costs are expensed as incurred.

Contingent consideration transferred in a business combination is measured at fair value on the date of acquisition and classified as a financial liability or equity, depending upon the underlying characteristics of the contingent consideration, including the form of settlement. Contingent consideration classified as a liability is re-measured at fair value at each reporting period, with changes in fair value recognized in the consolidated statement of loss. Payments are classified as cash used in investing activities.

Non-controlling interests in the fair value of the net assets acquired are measured at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets.

b) Revenue recognition

The Company generates revenue primarily from fees charged to customers upon receipt of organic waste at the Company’s organic waste facilities, the sale of RNG, the sale of electricity, and through the sale of organic compost and soil. Revenues are influenced by various factors such as the type and weight or volume of waste materials disposed of at the Company’s facilities and the volumes of RNG and electricity produced.

Revenue is recognized in profit or loss in accordance with the pattern of the Company satisfying its performance obligations under a contract with the customer. This occurs when control of a good is transferred, or service provided, to the customer, the customer has obtained the significant risks and rewards of ownership and the goods or service have been delivered to the customer. The Company’s revenue transactions do not contain significant financing components and payments are typically due within 30 days of recognizing revenue. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year.

The transaction price represents the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Recognition of revenue from fees charged upon receipt of organic waste, RNG and electricity occurs based on individual contractual terms and when indicators of the transfer of control exist, which is generally satisfied when the services are completed, or goods are transferred, in accordance with the performance obligations under a contract at a point in time. This occurs when control of a good is transferred, or service provided, to the customer as follows:

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

ii. Revenue from fees charged to customers upon the receipt of organic waste is recognized when transfer of control exists, primarily at the point of transfer of organic waste from the customer to the Company.

iii. Revenue from the sale of RNG and electricity is recognized when transfer of control exists, primarily at the transfer of the good to the customer, which is generally when the good leaves the Company's premise or when the good is provided to the customer at a contracted delivery point.

c) Direct operating costs

Direct operating costs are costs incurred to earn revenue and includes all attributable expenses, including labour, fuel charges, disposal costs, freight costs, hauling costs, the preparation and the processing of screening, blending and curing organic waste for conversion into saleable organic compost and soil, repairs and maintenance, equipment rental, insurance, utilities, licenses, permits and depreciation and amortization expenses.

d) General and administrative expenses

General and administrative expenses include head office personnel costs; share-based payment expense; professional fees, which includes fees for consulting, legal, audit and tax services; and other general and administrative expenses.

e) Insurance proceeds

Insurance proceeds are recognized when it is virtually certain that an inflow of economic benefits will arise.

f) Property, plant and equipment

Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset, including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Assets under construction are transferred to property, plant and equipment once the item is available for it's intended use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within other income.

Depreciation:

Depreciation on property, plant and equipment is calculated on a straight-line basis over its expected useful life to its estimated residual value. The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	
Buildings and leasehold improvements	15 – 20 years
Equipment, vehicles and other	5 – 25 years
Right-of-use assets	2 – 20 years
Assets under construction [1]	N/A

1) *Depreciation of an asset commences when it is available for use.*

Depreciation methods, expected useful lives and estimated residual values are reviewed at each financial year end, with the effect of any changes recognized on a prospective basis.

g) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease The Company recognizes a right-of-use asset and corresponding lease liability at the lease commencement date for contracts that are, or contain, a lease component, except for short-term leases and leases of low value.

The right-of-use assets are initially measured at cost, which includes the initial amount of the lease liability plus initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses, if any. The right-of-use assets are depreciated on a straight-line basis over the lease term or the end of the useful life of the underlying asset, depending on the lease terms.

The lease liabilities are initially measured at the present value of the expected lease payments over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: i) the lease term; ii) the Company's assessment of whether it will exercise a purchase option; iii) a change in an index or a change in the rate used to determine the payments; and iv) amounts expected to be payable under residual value guarantees.

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

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

h) Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price to acquire an asset or costs directly attributable to the internal generation of an asset.

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

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

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

i) Impairment

At each reporting date the Company assesses whether there is any indication that assets or CGUs, relating specifically to its property, plant and equipment, intangible assets, goodwill and equity-accounted investments, are impaired. This assessment includes a review of internal and external factors which includes, but is not limited to, changes in the technological, political, economic or legal environments in which the Company operates, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes.

An impairment is recognized if the recoverable amount, determined as the higher of the estimated FVLCD or the value in use, is less than the carrying value of the asset or CGU. In cases where an active second-hand sale and purchase market does not exist, the Company uses a discounted cash flow approach to estimate the FVLCD of its assets. The value in use is the present value of the future cash flows that the Company expects to derive from the asset or CGU. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

If the recoverable amount is less than the carrying value, an impairment loss is recognized immediately in the consolidated statements of loss.

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

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

j) Goodwill

Goodwill represents the excess of the price paid for the acquisition of a business over the fair value of the net tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates.

k) Income taxes

Income tax comprises current and deferred tax.

Current income assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the reporting date.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized and are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities, of a change in tax rates, is included in profit or loss in the period that includes the substantive enactment date. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be realized.

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements.

l) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. As the Company has recorded a loss in all periods presented in these consolidated financial statements, the conversion of outstanding convertible securities has not been included in the diluted loss per share calculation, as their effect would be anti-dilutive.

m) Financial instruments

Recognition and measurement:

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

The classification of financial assets depends on the specific business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Company measures a financial asset or liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (or "FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are measured at amortized cost dependent on their contractual cash flow characteristics and the business model for which they are held. Financial assets classified as amortized cost are recorded initially at fair value, then subsequently measured at amortized cost using the effective interest rate method, less any impairment.

The table below summarizes the Company's classification and measurement of financial assets and liabilities:

	Measurement Category	Consolidated Statement of Financial Position Account
Financial assets:		
Cash and cash equivalents	Amortized Cost	Cash and cash equivalents
Restricted cash	Amortized Cost	Restricted cash
Accounts receivable	Amortized Cost	Accounts receivable
Financial liabilities:		
Accounts payable and accrued liabilities	Amortized Cost	Accounts payable and accrued liabilities
Contingent consideration	FVTPL	Contingent consideration
Lease liabilities	Amortized Cost	Lease liabilities
Loans	Amortized Cost	Loans payable and Loans payable – related parties

Impairment

An 'expected credit loss' ("ECL") model applies to the Company's financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. In applying the ECL model, loss allowances on trade receivables are measured based on lifetime ECLs, which are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables using a provision matrix which specifies fixed provision rates depending on the number of days that a trade receivable is past due, using reference to the past default experience of the debtor and an analysis of the debtors current financial position, which also forms a basis for the Company's future expectations for potential defaults of the debtor. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

All amounts in Canadian $000s, unless otherwise indicated

n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life; and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

4. BUSINESS COMBINATION

a) Transaction overview

On July 13, 2022, the Company completed the acquisition of a 67% interest in an RNG facility under construction, GrowTEC, in exchange for cash consideration of $2,054, subject to working capital adjustments, a commitment for a future contribution of assets to GrowTEC of $300 and the issuance of 600,000 common shares of the Company, with fair value of $1,560. The common shares were valued at $2.60 per common share using the share price of the Company on the acquisition date. At the time of acquisition, additional cash consideration of up to $4.0 million was agreed to be paid upon the achievement of certain operational milestones.

The excess of the consideration over the fair value of the net assets acquired was recognized as goodwill of $1,730. The goodwill recognized on this acquisition was attributed to: the strategic benefits that consolidated operations are expected to bring; expected operational synergies with EverGen's existing projects; and expected future cash flows generated from the ability to grow the development of anaerobic digestion infrastructure and eventual sale of RNG.

b) Net assets acquired and consideration paid

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

	Total
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	59
Accounts receivable	67
Property, plant and equipment	6,234

All amounts in Canadian $000s, unless otherwise indicated

Intangible assets	3,500
Goodwill	1,730
Accounts payable and accrued liabilities	(228)
Lease liabilities	(1,507)
Deferred tax liabilities	(617)
Fair value of net assets acquired	**9,238**
Non-controlling interest in fair value of net assets acquired	**(2,477)**
Shareholders interest in fair value of net assets acquired	**6,761**

Consideration paid	
Cash	2,054
Working capital adjustment	(43)
Assets contributed to GrowTEC	300
Common shares	1,560
Contingent consideration	2,890
Total consideration paid	**6,761**

The contingent consideration is payable in two installments of $2 million each upon the successful completion of two separate phases of commissioning the GrowTEC RNG facility. The first milestone upon the completion of the first phase of commissioning occurred during 2023 (see note 14). The contingent consideration is initially measured at fair value on the date of acquisition using widely accepted valuation techniques (level 3), using the probability-weighted average of payouts associated with each possible outcome, discounted using the estimated weighted average cost of capital for the Company. The Company assumed a virtually certain probability of the first phase of commissioning occurring and assigned a probable weighting to the second phase of commissioning occurring. Applying a virtually certain probability to the second phase of commissioning would have resulted in an increase of the contingent consideration of $290 at the acquisition date.

Intangible assets consist of customer contracts valued at $3,500.

5. ACCOUNTS RECEIVABLE

At December 31	2023	2022
Trade receivables	1,570	1,328
Insurance proceeds receivable	-	1,754
Organic infrastructure program receivable	79	79
Other	68	164
	1,717	**3,325**

All amounts in Canadian $000s, unless otherwise indicated

6. PROPERTY, PLANT AND EQUIPMENT CLASSIFIED AS HELD FOR SALE

As at December 31, 2023 certain items of property, plant and equipment were classified as held for sale as a result of their expected sale within one year from December 31, 2023.

	Segment	2023	2022
Balance, beginning of year		-	-
Additions:			
Assets under construction [(1)]	Organics waste and composting	552	-
Equipment, vehicles and other [(2)]	Organics waste and composting	98	-
Balance, end of the year		**650**	**-**

[(1)] *Relates to an item of equipment purchased for the RNG construction project at Pacific Coast Renewables Corp. which the Company does not presently require, that will be disposed of in the coming 12 months, at an estimated price equal to the cost the Company purchased it for.*

[(2)] *The property, plant and equipment was written down to it's estimated fair value, based on the expected selling price, and the resulting expense of $261 was recorded.*

All amounts in Canadian $000s, unless otherwise indicated

7. 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, 2021	3,238	5,422	4,609	3,564	1,100	17,933
Additions:						
RNG production	-	-	277	112	1,998	2,387
Organic waste and composting	-	63	138	1,293	3,902	5,396
Corporate and other	-	-	22	-	-	22
Acquisitions through business combinations (note 4)	-	540	1,060	1,363	3,271	6,234
Capitalized share-based expense	-	-	-	-	114	114
Disposals	-	-	(165)	-	-	(165)
Other	-	-	-	(16)	-	(16)
At December 31, 2022	**3,238**	**6,025**	**5,941**	**6,316**	**10,385**	**31,905**
Additions:						
RNG production	-	112	1,068	213	12,069	13,462
Organic waste and composting	-	-	958	2,663	3,489	7,110
Corporate and other	-	-	19	162	-	181
Capitalized share-based expense	-	-	-	-	164	164
Capitalized interest (note 19)	-	-	-	-	602	602
Transfer to assets in use	-	2,255	18,026	-	(20,281)	-
Transfer to assets held for sale (note 6)	-	-	(460)	-	(588)	(1,048)
Loss on write-down of assets [(1)]	-	-	-	-	(320)	(320)
Other	-	(139)	-	(110)	-	(249)
At December 31, 2023	**3,238**	**8,253**	**25,552**	**9,244**	**5,520**	**51,807**
Accumulated depreciation						
At December 31, 2021	-	273	327	326	-	926
Depreciation	-	304	423	463	-	1,190
At December 31, 2022	-	577	750	789	-	2,116
Depreciation	-	405	598	636	-	1,639
Transfer to assets held for sale (note 6)	-	-	(146)	-	-	(146)
Other	-	-	-	(108)	-	(108)
At December 31, 2023	**-**	**982**	**1,202**	**1,317**	**-**	**3,501**
Carrying value						
At December 31, 2022	3,238	5,448	5,191	5,527	10,385	29,789
At December 31, 2023	**3,238**	**7,271**	**24,350**	**7,927**	**5,520**	**48,306**

(1) *During the year ended December 31, 2023, the Company de-recognized the carrying amount of certain land development costs, following a change in the location of operations, resulting in the write-off of the expenses for the original intended loacation of $320.*

As at December 31, 2023, the Company was committed to $3.5 million of future capital expenditure.

All amounts in Canadian $000s, unless otherwise indicated

8. INTANGIBLE ASSETS

Cost	Brands	Customer contracts and stakeholder relationships	Total
At December 31, 2021	1,180	25,030	26,210
Acquisition through business combination	-	3,500	3,500
At December 31, 2022 and December 31, 2023	**1,180**	**28,530**	**29,710**

Accumulated amortization			
At December 31, 2021	59	1,775	1,834
Amortization	59	1,936	1,995
At December 31, 2022	118	3,711	3,829
Amortization	59	1,936	1,995
At December 31, 2023	**177**	**5,647**	**5,824**

Carrying value			
At December 31, 2022	1,062	24,819	25,881
At December 31, 2023	**1,003**	**22,883**	**23,886**

9. GOODWILL

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

At December 31	2023	2022
Pacific Coast Renewables Corp.	3,420	3,420
Sea to Sky Soils and Composting Inc.	7,554	7,554
Fraser Valley Biogas Ltd.	3,234	3,234
GrowTEC (note 4)	1,730	1,730
	15,938	**15,938**

The Company conducted its annual goodwill impairment evaluation on October 1, 2023 and October 1, 2022 and concluded that no impairment had occurred as the recoverable amount, based on the FVLCD using a discounted cash flow model, was greater than the carrying value at the time of each test. The estimates regarding the expected future cash flows and discount rates are Level 3 fair value inputs based on various assumptions including the terms of existing contracts, expected production levels following the Company's anticipated investments into property, plant and equipment and historical information. The Company has not previously recorded any impairment expense related to the carrying amount of goodwill.

The significant assumptions used in the estimation of the recoverable amount include the utilization of discount rates ranging from 10.5% to 11.5%, cash flow periods for 20 years and future leverage assumptions for the Company. The cash flow projections include specific estimates for 20 years due to the long-term nature of the Company's RNG and organic waste contracts.

All amounts in Canadian $000s, unless otherwise indicated

The discount rate is a post-tax measure, with a possible debt leveraging of 40% for 2023 (2022 - 40%) estimated based on the long-term target leverage of the Company, at market interest rates of 10.8% for 2023 (2022 – 7.7%).

10. EQUITY-ACCOUNTED INVESTMENT

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

	Total
At December 31, 2021	-
Capital contribution	1,250
Equity-accounted loss	(138)
At December 31, 2022	1,112
Equity-accounted loss	(104)
At December 31, 2023	**1,008**

The following tables present summarized financial information assuming a 100% ownership interest in the Company's equity-accounted investment.

At December 31	2023	2022
Cash and cash equivalents	131	402
Other current assets	225	185
Non-current assets	2,002	1,317
Current liabilities	(621)	(180)
Non-current liabilities	-	-

For the year ended December 31	2023	2022
Revenues	-	-
Loss and comprehensive loss	(208)	(276)
Ownership interest	50%	50%
Equity-accounted loss	**(104)**	**(138)**

The Company's investment in equity-accounted investment and its interest in the net loss of its equity-accounted investment are included in the Company's RNG production segment.

On January 1, 2023, the Company entered into a loan agreement to provide $500 to Project Radius, which was fully drawn as at December 31, 2023. Subsequent to December 31, 2023, the repayment date of the loan was extended to June 30, 2024. The loan accrues interest on the unpaid principal amount at a rate of 14.25% per annum, which along with the principal, is due and payable to the Company on June 30, 2024. The loan receivable and accrued interest are recorded in prepaids and other on the consolidated statement of financial position as at December 31, 2023.

All amounts in Canadian $000s, unless otherwise indicated

11.ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31	2023	2022
Trade payables and accrued liabilities	6,195	3,247
Other	-	300
	6,195	**3,547**

12.LOANS PAYABLE

	2023	2022
Balance, beginning of year	5,759	6,458
Advances	9,475	10
Interest expense (note 18)	977	346
Loan payments	(1,211)	(1,055)
Total principal	**15,000**	**5,759**
Less: deferred financing costs	(318)	-
Total borrowings	**14,682**	**5,759**
Less current portion	(744)	(700)
Long-term portion	**13,938**	**5,059**

In January 2023, the Company entered into an agreement providing for a syndicated senior term loan of up to $31,000. The term loan will be used to support the upgrade and construction of the Company's RNG facilities and provides for $15 million for refinancing of existing debt and construction at Fraser Valley Biogas and $16 million at Pacific Coast Renewables ("PCR"). As of December 31, 2023, the $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. During the year ended December 31, 2023, the Company made a drawdown of the remaining $9,475 of the $15 million component of this term loan. The term loan is repayable over a term of five years, with a 10-year amortization period and interest only payments for the first 13 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 loans payable balance as at December 31, 2022 relates to a credit facility arrangement that EverGen had entered into in March 2021, providing for a senior secured term loan of up to $7,000, repayable over a term of three years bearing interest at a rate of Canadian Variable Rate plus 3.0% per annum. The credit facility was secured by the assets of the Company and certain of its subsidiaries. This facility was refinanced as part of the syndicated senior term loan entered into in January 2023.

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.

As at December 31, 2023 the Company was not in compliance with certain of its covenant requirements under the syndicated term loan and obtained a waiver from the lenders as at that date, for limited suspension of the covenant compliance requirements under the facility.

As at December 31, 2022 the Company was in compliance with all covenant requirements of its loans payable.

All amounts in Canadian $000s, unless otherwise indicated

13. LEASE LIABILITIES

	2023	2022
Balance, beginning of year	5,781	3,297
Additions	2,774	1,474
Acquisition through business combination (note 4)	-	1,507
Interest expense (note 19)	521	266
Lease payments	(1,322)	(736)
Other	7	(27)
Balance, end of the year	**7,761**	**5,781**
Less current portion	(809)	(543)
Long-term portion	**6,952**	**5,238**

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

14. CONTINGENT CONSIDERATION

	2023	2022
Balance, beginning of year	3,569	279
Acquisition (note 4)	-	2,890
Payment	(1,016)	-
Transfer to loans payable – related parties	(980)	-
(Gain) loss on fair value adjustment of liability [1]	(73)	400
Balance, end of the year	**1,500**	**3,569**
Less current portion	-	(2,179)
Long-term portion	**1,500**	**1,390**

(1) *Recorded in Contingent consideration (loss) gain & other on the consolidated statements of net loss and comprehensive loss for the years ended December 31, 2023 and 2022.*

During the year ended December 31, 2022, the Company recognized $2,890 of contingent consideration related to the acquisition of GrowTEC (see note 4). The contingent consideration was payable upon the achievement of certain operational milestones. During the year ended December 31, 2023, pursuant to the GrowTEC share purchase agreement, the Company made contingent consideration payments of $1,996 via a cash payment of $1,016 and $980 via the issuance of a loan from the vendors to the Company (see note 24). During the year ended December 31, 2023, the Company recognized a $206 contingent consideration loss (2022: $400) in re-measuring the liability taking into account the passage of time since acquisition and the timing of the settlement of the liability.

As at December 31, 2022, the Company had a liability of $279 relating to contingent consideration on the acquisition of Sea to Sky Soils and Composting Inc. ("SSS"), which was the disputed estimate based upon an offer made by the Company to the vendors. During the year ended December 31, 2023, as a result of the ongoing proceedings of the dispute, including the provision of estimates and analysis from third-party experts, a fair value adjustment gain of $279 was recorded.

15. SHAREHOLDERS' EQUITY

a) Authorized

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

All amounts in Canadian $000s, unless otherwise indicated

b) Public and Private Offerings of Common Shares

The following table summarizes the issuances of common shares during the year ended December 31, 2023 and 2022:

Date	Offering Type	Number of Common Shares Issued (thousands) #	Price $	Gross Proceeds $
July 2022	Private	600	2.60	(i)

i. Common shares issued upon the acquisition of a subsidiary (see note 4).

c) Share warrants

The Company has issued warrants that allow the holder to acquire additional common shares of the Company. Warrant transactions are summarized as follows:

	Number of Warrants (thousands) #	Weighted average exercise price $
Balance, December 31, 2021	2,682	9.79
Expired	(910)	8.41
Balance, December 31, 2022	**1,772**	**10.50**
Expired	(1,772)	10.50
Balance, December 31, 2023	**-**	**-**

d) Share-based incentive programs and payment plans

Equity Incentive Plan

On March 18, 2021, the Company adopted the Equity Incentive Plan, which provides for the grant of equity-based compensation awards including stock options ("Options"), restricted share units ("RSUs"), and deferred share units ("DSUs"). 600,000 PSUs were previously granted under the Performance Share Unit ("PSU") Plan on December 31, 2020.

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

The Company classifies these share-based compensation instruments as equity-settled and follows the fair value method of valuing these instruments. Under this method, compensation cost is measured at the fair value of the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus.

All amounts in Canadian $000s, unless otherwise indicated

Options

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

	Number of Options (thousands) #	Weighted average exercise price $
Balance, December 31, 2021	172	9.56
Granted	15	2.75
Forfeited	(45)	9.40
Balance, December 31, 2022	142	8.89
Granted	264	3.01
Forfeited	(16)	9.40
Expired	(55)	9.90
Outstanding at December 31, 2023	**335**	**4.08**
Exercisable at December 31, 2023	**53**	**7.51**

As at December 31, 2023, 335,000 stock options were outstanding enabling holders to acquire common shares as follows:

	Options Outstanding			Options Exercisable	
Exercise price $	Number outstanding (thousands) #	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable (thousands) #	Weighted average exercise price $
2.75	15	1.7	2.75	15	2.75
3.01	263	5.1	3.01	-	3.01
9.40	57	4.2	9.40	38	9.40

Options granted to directors, officers and employees

In June 2023, the Company granted 263,571 stock options to certain directors, officers and employees of the Company at an exercise price of $3.01 each. These options vest annually 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 Option held. During the year ended December 31, 2023, the Company amended the term of 92,649 Options by reducing the expiry date from June 23, 2030 to September 22, 2026.

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 2023 Stock Options
Share price on grant date	2.66
Exercise price	3.01
Fair value per stock option	1.77
Expected volatility (percentage)	70
Risk-free rate (percentage)	3.46
Expected forfeiture rate (percent)	15
Expected life (years)	7
Expected dividend yield	-

All amounts in Canadian $000s, unless otherwise indicated

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of 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.

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 #
Balance, December 31, 2021	600	120	28
Granted	-	198	-
Forfeited	(170)	(105)	-
Vested		(5)	-
Balance, December 31, 2022	**430**	**208**	**28**
Granted	-	106	-
Forfeited	-	(1)	-
Vested	-	(99)	-
Outstanding at December 31, 2023	**430**	**214**	**28**

Restricted share units

During the year ended December 31, 2023, the Company granted 106,321 RSU awards to certain directors, officers, employees and consultants of the Company, which vest over a three-year period and had a weighted average grant date fair value of $2.71 per RSU.

As at December 31, 2023, the Company had 213,700 RSUs outstanding, which vest over a remaining weighted average period of 0.6 years, with a weighted average grant date fair value of $3.04 per RSU.

Share-based payment expenses

For the year ended December 31	2023	2022
Options	202	61
PSUs	290	354
RSUs	313	132
	805	**547**
Less: capitalized share-based payment expenses (note 7)	**(164)**	**(114)**
Total [1]	**641**	**433**

[1] *Included in general and administrative expenses (see note 17).*

During the year ended December 31, 2023, the Company amended the term of 140,000 PSUs by reducing the expiry date from indefinite to September 22, 2026.

All amounts in Canadian $000s, unless otherwise indicated

16.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, and through the sale of organic compost and soil. The Company's revenue for the year ended December 31, 2023 and 2022 all relate to goods and services transferred at a point in time. The following tables contain the Company's revenue for the years ended December 31, 2023 and 2022, by source and by segment:

For the year ended December 31, 2023	RNG production	Organic waste and composting	Total
Tipping fees	264	5,513	5,777
Organic compost and soil sales	-	591	591
RNG	1,500	-	1,500
Electricity sales	560	-	560
Other	10	4	14
Total	**2,334**	**6,108**	**8,442**

For the year ended December 31, 2022	RNG production	Organic waste and composting	Total
Tipping fees	292	5,097	5,389
Organic compost and soil sales	-	699	699
RNG	818	-	818
Electricity sales	460	-	460
Other	-	93	93
Total	**1,570**	**5,889**	**7,459**

During the year ended December 31, 2023, the Company had four customers in the organics waste and composting segment who provided for revenues of 15%, 14%, 14% and 10%, respectively, and one customer in the RNG production segment that provided for revenues of 10%, of the Company's consolidated revenues from contracts with customers.

During the year ended December 31, 2022, the Company had four customers in the organics waste and composting segment who provided for revenues of 18%, 15%, 14% and 11%, respectively, and one customer in the RNG production segment that provided for revenues of 11%, of the Company's consolidated revenues from contracts with customers.

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

17. DIRECT OPERATING COSTS

For the year ended December 31	2023	2022
Salaries and wages	1,748	1,596
Depreciation and amortization	3,634	3,187
Repairs and maintenance	723	1,380
Fuel and freight expense	1,307	1,134
Equipment rental	377	425
Other [(1)]	2,117	2,230
Total	**9,906**	**9,952**

[(1)] *Other includes, but is not limited to, insurance, utilities, supplies and disposal costs.*

All amounts in Canadian $000s, unless otherwise indicated

18.GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended December 31	2023	2022
Salaries and wages	1,560	1,193
Share-based payment expense	641	433
Professional and consulting fees	1,431	1,809
Other [1]	1,460	1,194
Total	**5,092**	**4,629**

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

19. FINANCE COSTS

For the year ended December 31	2023	2022
Interest expense on loans payable (note 12)	977	346
Interest expense on loans payable related parties (note 24)	22	-
Interest expense on lease liabilities (note 13)	521	266
Other	148	(16)
Subtotal	1,668	596
Less: capitalized interest (note 7)	(602)	-
Total	**1,066**	**596**

20.OTHER INCOME - NET

For the year ended December 31	2023	2022
Insurance proceeds	1,228	3,120
Carbon emission credits	141	286
Other	445	-
Total	**1,814**	**3,406**

21.INCOME TAXES

The Company operates in provinces that have differing tax laws and rates. Consequently, a consolidated weighted average tax rate will vary from year to year according to the source of earnings or losses and changes in applicable tax rates. A reconciliation of income taxes at statutory rates for jurisdictions where the Company operates is as follows:

For the year ended December 31	2023	2022
Net loss before income tax	6,420	4,850
Statutory income tax rate (%)	26.5	26.5
Expected income tax recovery at statutory rate	1,701	1,285
Effect on taxes resulting from:		
Non-deductible expenses and other	(24)	(545)
Tax recovery	**1,677**	**740**

All amounts in Canadian $000s, unless otherwise indicated

Deferred tax balances and tax losses carried forward

The significant components of the Company's unrecognized tax effected temporary tax differences are as follows:

	Balance at December 31, 2022	Recognized in net loss	Recognized in equity	Balance at December 31, 2023
Deferred income tax liabilities				
Property and equipment	3,099	3,548	-	6,647
Intangible assets	6,867	(530)	-	6,337
Carbon credits	60	38	-	98
Other taxable temporary differences	-	18	-	18
	10,026	3,074	-	13,100
Deferred income tax assets				
Non-capital losses	(1,945)	(4,467)	-	(6,412)
Share issue costs	(771)	255	(14)	(530)
Lease liabilities	(1,534)	(525)	-	(2,059)
	(4,250)	(4,737)	(14)	(9,001)
Deferred income tax liabilities	5,776	(1,663)	(14)	4,099

At December 31, 2023, the Company has approximately $48,638 (December 31, 2022 - $27,455) of tax pools that may be applied to reduce future taxable income. Of the tax pools that have an expiration date, the date at which they are set to expire is beyond three years after the reporting date.

22. LOSS PER SHARE

For all periods presented in these consolidated financial statements, no outstanding convertible securities were included in the computation of net loss per share attributable to shareholders - diluted, as their effect was anti-dilutive.

The weighted average number of common shares were as follows for the periods indicated:

	2023	2022
Weighted average common shares outstanding	13,852	13,593

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

For all periods in these consolidated financial statements, the Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable (including the loan advanced to the equity-accounted investment), 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 loss (see note 3b).

The fair value of loans payable approximates their carrying value due to the loans bearing interest at a rate of Canadian Variable Rate plus 4.0% per annum, which is the estimated market rate for the Company.

There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2023 and 2022. 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 year ended December 31, 2023 and 2022.

Financial risk management

The Company is exposed to the following risks: market risk, credit risk and liquidity risk. The following is a description of these risks and how they are managed:

Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and changes in market prices due to factors other than interest rates or foreign currency exchange rates, such as changes in commodity prices or credit spreads.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the impact of interest rate changes, primarily through its floating-rate borrowings that require it to make interest payments based on the Canadian Variable Rate. Significant increases in interest rates could adversely affect operating margins, results of operations and the Company's ability to service its debt.

At December 31, 2023, the Company is exposed to interest rate risk with respect to its loans payable. A 50 basis points increase or decrease, respectively, in the Company's interest rates is expected to increase or decrease finance costs for the year ended December 31, 2023 by $49 or $54, respectively.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk on customer accounts receivable is influenced mainly by the individual characteristics of each debtor and is concentrated with a few customers, primarily municipal governments and the Company is therefore able to monitor credit risk on an individual account basis and apply lifetime expected loss provisions where any uncertainty on collectability is identified.

The Company's historical bad debt expense has not been significant and is usually limited to specific customer circumstances. The Company considers the credit worthiness of counterparties and past payment history as well as amounts past due.

The Company regularly monitors customers' payments and considers all amounts greater than 60 days to be past due. As at December 31, 2023, the Company had $178 of contractual payments, included in accounts receivable, which are greater than 60 days past due. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements. Based on only insignificant amounts of historical bad debts, as well as minimal expectation of future losses as a result of default, the Company has determined its credit risk to be low.

All amounts in Canadian $000s, unless otherwise indicated

The Company held cash and cash equivalents of $585 at December 31, 2023, which represents its maximum credit exposure on these assets (December 31, 2022 - $8,852 cash and cash equivalents and $20 restricted cash). The cash is held with major financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2023, the Company had a working capital deficit, being current assets less current liabilities, of $3,558 primarily relating to outstanding accounts payable and accrued liabilities from capital expenditures incurred within the Company's RNG operating segment.

The Company's primary liquidity needs for the next twelve months are to pay existing committed capital expenditures, to make scheduled repayments of debt, to pay debt service costs, to pay direct operating costs, to fund general working capital requirements and to manage its working capital deficit.

See Note 2c for the Company's assessment of its ability to meet these obligations for at least the one-year period to December 31, 2024.

The following contractual maturities of financial obligations exist as at December 31, 2023:

	< 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	6,195	-	-	-	-	-	6,195
Contingent consideration	-	1,500	-	-	-	-	1,500
Loan payments [1]	2,225	2,842	2,693	2,545	10,141	-	20,446
Loan payments – related parties [1]	328	275	1,269	163	40	-	2,075
Lease payments [1]	1,407	1,347	1,198	1,104	899	5,985	11,940
Total	**10,155**	**5,964**	**5,160**	**3,812**	**11,080**	**5,985**	**42,156**

[1] *Includes principal and interest.*

In addition, as at December 31, 2023, the Company had the following commitments that were not recognized as liabilities:

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Property, plant and equipment	901	2,623	-	-	-	-	3,524
Total	**901**	**2,623**	**-**	**-**	**-**	**-**	**3,524**

Capital management

The Company considers its capital to be the components of shareholders' equity and debt, including lease liabilities, less cash on hand. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing and is supplemented by applying for government grant programs where available. Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the year ended December 31, 2023.

All amounts in Canadian $000s, unless otherwise indicated

24.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 the Company is as follows:

For the year ended December 31	2023	2022
Salaries and benefits	1,039	534
Share-based payment expense	568	348
Total	**1,607**	**882**

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 year ended December 31, 2023, the Company incurred lease expenses of $195 relating to this lease (year ended December 31, 2022 - $135).

Loans payable – related parties

	Total
At December 31, 2022	-
Drawdown [(1)]	1,710
Interest expense (note 18)	22
Payments	(16)
Total principal	**1,716**
Less current portion	**(204)**
Long-term portion	**1,512**

[(1)] *$980 of this drawdown was a non-cash transfer to settle part of the contingent consideration related to the GrowTEC acquisition – further detail below and note 13.*

Effective April 1, 2023, the Company entered into a loan agreement with the non-controlling interest holders of GrowTEC to provide proceeds of $710 to the Company to fund the non-controlling interest holders proportionate share of capital expenditure. The loan is repayable over a five-year term and bears interest at a rate of 4.0%.

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 (see notes 4 and note 14). 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.

All amounts in Canadian $000s, unless otherwise indicated

25.SUPPLEMENTARY CASH FLOW INFORMATION

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

For the year ended December 31	2023	2022
Net changes in non-cash working capital:		
Accounts receivable	598	(87)
Prepaid expenses and other assets	(47)	(261)
Accounts payable and accrued liabilities	363	(541)
Deferred revenue	(140)	142
	774	**(747)**
Net change in non-cash items included in financing activities:		
Advances from related parties to settle portion of contingent consideration	980	-
Payment of portion of contingent consideration	(980)	-
	-	-
Taxes paid	-	**43**

26. SEGMENTED 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 year ended December 31, 2023 and December 31, 2022, the Company had two operating segments. The Company's segments are based on the type of operation and include RNG production and Organic waste tipping and composting as follows:

For the year ended December 31, 2023	RNG production	Organic waste and composting	Corporate and other	Total
Revenue	2,334	6,108	-	8,442
Direct operating costs	(3,598)	(6,233)	(75)	(9,906)
General and administrative expenses (1)	(1,659)	(3,761)	328	(5,092)
Finance costs	(279)	(761)	(26)	(1,066)
Equity-accounted loss	(104)	-	-	(104)
Contingent consideration gain	-	-	73	73
Loss on write-down of assets	-	(581)	-	(581)
Other income - net	524	1,035	255	1,814
Net income (loss) before income tax expense (recovery)	**(2,782)**	**(4,193)**	**555**	**(6,420)**

All amounts in Canadian $000s, unless otherwise indicated

For the year ended December 31, 2022	RNG production	Organic waste and composting	Corporate and other	Total
Revenue	1,570	5,889	-	7,459
Direct operating costs	(2,490)	(7,388)	(74)	(9,952)
General and administrative expenses (1)	(957)	(3,277)	(395)	(4,629)
Finance costs	(193)	(650)	247	(596)
Equity-accounted loss	(138)	-	-	(138)
Contingent consideration loss	-	-	(400)	(400)
Other income - net	1,495	1,900	11	3,406
Net loss before income tax expense (recovery)	**(713)**	**(3,526)**	**(611)**	**(4,850)**

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

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

As at December 31, 2022				
Total assets	30,910	52,736	2,310	85,956

27.SUBSEQUENT EVENTS

a) Effective January 1, 2024, the Company executed a debt-to-equity conversion related to a loan agreement with the non-controlling interest holders of GrowTEC (see note 24). The outstanding balance of the loan of $670 was converted into equity of GrowTEC and the loan agreement was terminated.

b) In January 2024, the Company, through 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 [April 22, 2024], GrowTEC had drawn $3,000 under this term loan.

c) In January 2024, the Company granted 187,860 Options to certain directors of the Company at an exercise price of $2.44 each, and 38,930 DSUs. The Options vest annually 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 Option held.

d) In February 2024, the Company executed a contribution agreement with Natural Resources Canada which provides for funding of $10.5 million to support the development of the PCR RNG expansion project.