



Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021



Notice of no review of Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of EverGen Infrastructure Corp. for the three and nine month periods ended September 30, 2021, have been prepared by and are the responsibility of the Company's management.

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

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

EverGen Infrastructure Corp.

INTERIM CONSOLIDATED STATEMENT OF NET FINANCIAL POSITION (Unaudited)

As at

<i>(Canadian \$000's)</i>	Notes	September 30, 2021	December 31, 2020
Current assets			
Cash and cash equivalents		20,840	4,684
Restricted cash	4,12	2,687	319
Accounts receivable	5	1,647	1,515
Prepaid expenses and other assets		149	112
Inventories		108	127
Carbon emission credits		222	222
		25,653	6,979
Property and equipment	6	16,163	11,597
Intangible assets	7	24,863	20,960
Goodwill	8	14,254	10,974
Total assets		80,933	50,510
Current liabilities			
Accounts payable and accrued liabilities	9	1,775	3,941
Loans payable	10	700	-
Lease liabilities	11	294	225
Contingent consideration	12	1,133	5,655
		3,902	9,821
Loans payable	10	5,933	-
Lease liabilities	11	3,073	3,229
Deferred tax		6,136	5,551
Total liabilities		19,044	18,601
Shareholders' equity			
Share capital	13	60,294	32,790
Share warrants	13	3,484	1,068
Share rights	13	-	32
Contributed surplus	13	1,184	252
Accumulated deficit		(3,073)	(2,233)
Total shareholders' equity		61,889	31,909
Total liabilities and shareholders' equity		80,933	50,510
Commitments and contingencies	23		
Subsequent events	24		

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

On behalf of the board of directors:

Signed "Chase Edgelow"
Chase Edgelow, Director

Signed "Mary Hemmingsen"
Mary Hemmingsen, Director

EverGen Infrastructure Corp.
INTERIM CONSOLIDATED STATEMENT OF NET INCOME (LOSS)
AND COMPREHENSIVE INCOME (LOSS) (Unaudited)
For the periods

		Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
<i>(Canadian \$000's, except per share amounts)</i>	Notes	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Revenue	14	1,937	-	6,871	-
Cost of goods sold		359	-	1,822	-
Gross profit		1,578	-	5,049	-
Operating costs		652	-	1,295	-
General and administrative expenses	15	334	6	2,021	6
Depreciation and amortization	6,7	763	-	2,027	-
Share-based payment expenses	13	437	-	1,182	-
Finance costs (income), net	16	113	-	343	-
Contingent consideration (gain) loss	12	(1,500)	-	(633)	-
Transaction costs		-	-	49	-
Other income	17	(199)	-	(213)	-
Net income (loss) before taxes		978	(6)	(1,022)	(6)
Tax expense (recovery)	18	485	-	(182)	-
Net income (loss) and comprehensive income (loss)		493	(6)	(840)	(6)
Earning (Loss) per share					
Basic	19	\$0.04	(\$2,142.16)	(\$0.08)	(\$2,144.89)
Diluted	19	\$0.04	(\$2,142.16)	(\$0.08)	(\$2,144.89)

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

EverGen Infrastructure Corp.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (Unaudited)

<i>(Canadian \$000's)</i>	Notes	Share capital	Share warrants	Share rights	Contributed surplus	Accumulated deficit	Total
Balance, May 13, 2020		-	-	-	-	-	-
Net loss for the period		-	-	-	-	(6)	(6)
Balance, September 30, 2020		-	-	-	-	(6)	(6)
Balance, December 31, 2020		32,790	1,068	32	252	(2,233)	31,909
Net loss for the period		-	-	-	-	(840)	(840)
Share-based payments	13	-	-	-	1,182	-	1,182
Common shares issued on private placements	13	2,320	-	-	-	-	2,320
Common shares issued in exchange for consulting services in connection with acquisitions	13	250	-	-	(250)	-	-
Special Warrant Financing	2,13	7,225	1,250	-	-	-	8,475
Common shares issued in exchange for advisor services in connection with Special Warrant Financing	13	95	-	-	-	-	95
Broker Options issued as consideration for broker services in connection with Special Warrant Financing brokered private placement	13	-	41	-	-	-	41
Broker Unit Warrants issued as consideration for broker services in connection with Special Warrant Financing brokered private placement	13	-	44	-	-	-	44
Finder Warrants issued as consideration for services in connection with Special Warrant Financing non-brokered private placement	13	-	12	-	-	-	12
Common shares issued as consideration for acquisitions	3,13	1,000	-	-	-	-	1,000
Common shares issued on satisfaction of share rights	13	32	-	(32)	-	-	-
Initial Public Offering	13	19,034	986	-	-	-	20,020
Over-allotment Share Warrant Units issued	13	-	83	-	-	-	83
Share issue costs, net of tax	13	(2,452)	-	-	-	-	(2,452)
Balance, September 30, 2021		60,294	3,484	-	1,184	(3,073)	61,889

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

EverGen Infrastructure Corp.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For the periods

		Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Notes	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
<i>(Canadian \$000's)</i>					
Operating activities					
Net income (loss)		493	(6)	(840)	(6)
Items not affecting cash:					
Depreciation and amortization	6,7	763	-	2,027	-
Share-based payment expenses	13	437	-	1,182	-
Contingent consideration gain	12	(1,500)	-	(633)	-
Deferred income tax expense (recovery)	17	499	-	(171)	-
Changes in non-cash working capital	22	(396)	6	(2,609)	6
Net cash flow from (used in) operating activities		296	-	(1,044)	-
Investing activities					
Acquisition	3	-	(100)	(10,690)	(100)
Cash and cash equivalents included in acquisition	3	-	-	119	-
Additions to property and equipment					
excluding right-of-use asset lease additions	6	(428)	-	(586)	-
Disposition of property and equipment	6	-	-	3	-
Contingent consideration payments	12	(500)	-	(3,889)	-
OIP grant funds received	4,5	-	-	368	-
Changes in non-cash working capital	22	165	-	224	-
Net cash flow used in investing activities		(763)	(100)	(14,451)	(100)
Financing activities					
Advance of loans payable	10	-	-	7,000	-
Repayment of principal portion of loans payable	10,22	(144)	-	(367)	-
Repayment of principal portion of lease liabilities	11,22	(69)	-	(197)	-
Proceeds from Special Warrant Financing	13	-	-	8,475	-
Proceeds from private placements	13	-	-	2,320	-
Proceeds from Initial Public Offering	13	20,020	-	20,020	-
Proceeds from Over-Allotment Warrants	13	83	-	83	-
Share issue costs	13	(2,205)	-	(3,096)	-
Funds advanced by Founder shareholders		-	100	-	100
Changes in non-cash working capital	22	(525)	4	(219)	4
Net cash flow from financing activities		17,160	104	34,019	104
Net change in cash		16,693	4	18,524	4
Cash, cash equivalents and restricted cash at beginning of period		6,834	-	5,003	-
Cash, cash equivalents and restricted cash at end of period	4	23,527	4	23,527	4

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

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

1. REPORTING ENTITY

EverGen Infrastructure Corp. ("EverGen" or the "Company") operates two Gore Cover™ organic waste management facilities and one renewable natural gas ("RNG") production facility in British Columbia. The Company processes organics, yard waste and biosolids for a contracted tipping fee and produces high-quality organic compost and soils for farmers, gardeners and developers as part of its outbound business. EverGen owns one and has plans to develop further anaerobic digestion infrastructure for the production and sale of RNG.

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

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

The Company has the following subsidiaries, each owned 100 percent, at September 30, 2021:

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

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

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

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

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

2. BASIS OF PREPARATION

a) Statement of compliance and basis of measurement

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the period from incorporation on May 13, 2020 to December 31, 2020.

The interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in note 3 "Significant Accounting Policies" of the Company's audited consolidated financial statements for the period ended December 31, 2020. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous period, except for income taxes. Income taxes on net income (loss) in the interim

EverGen Infrastructure Corp.

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(All amounts in Canadian \$000's, except as indicated)

periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss).

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

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as at November 23, 2021, the date the board of directors approved these financial statements.

b) Functional and presentation currency

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

c) Use of estimates, judgements and assumptions

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

There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2020, except as outlined below.

Special Warrant Financing

Management determined that the Special Warrants issued as part of the Special Warrant Financing completed on or about March 18, 2021, as disclosed in note 13, are equity instruments because they are in substance issued shares and warrants rather than a contract to issue shares and warrants in the future. Management considers that the decision to exercise the special warrant is not driven by the share price because the exercise price is nil and therefore the holder in substance is in the same economic position as holding the underlying shares and warrants. If we did not consider that the shares and warrants were in substance issued at the balance sheet date, the special warrant would meet the definition of a derivative financial liability because it contains an obligation to deliver a contract for the future delivery of the entity's own equity instruments.

On July 20, 2021, following the Automatic Exercise Date, the 1,059,325 Special Warrants were deemed exercised for 1,059,325 Special Warrant Units, each unit comprising one common share and one half a warrant issued with the completion of this deemed exercise.

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

3. BUSINESS COMBINATIONS

a) Transaction overview

On April 16, 2020, EverGen acquired all the issued and outstanding common shares of Fraser Valley Biogas Ltd., a private company, in exchange for cash consideration of \$10,690, and 125,000 EverGen common shares. FVB owns and operates a biogas facility in Abbotsford, British Columbia, which sells RNG under a long-term contract with Fortis BC. The common shares were valued at \$8.00 per common share using the share price of EverGen on the acquisition date.

The goodwill recognized on this acquisition was attributed to: the strategic benefits that consolidated operations are expected to bring; expected operational synergies with EverGen's existing projects; expected future cash flows generated from the ability to grow the development of anaerobic digestion infrastructure and eventual sale of RNG and the recognition of a deferred tax liability generated by the recognition of the fair value of the net assets acquired.

b) Net assets acquired and consideration paid

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

	FVB Total
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	119
Accounts receivable	177
Prepaid expenses	28
Property and equipment	4,553
Intangible assets	5,250
Goodwill	3,280
Accounts payable and accrued liabilities	(125)
Deferred tax liabilities	(1,592)
Fair value of net assets acquired	11,690
Consideration paid	
Cash	10,690
Common shares	1,000
Contingent consideration	-
Total consideration paid	11,690

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

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

The consolidated statement of comprehensive income (loss) includes the results of operations for the period following the close of the transaction on April 16, 2021. EverGen incurred transaction costs of \$49 in conjunction with the acquisition, all of which have been expensed in the nine month period ended September 30, 2021.

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

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

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

4. RESTRICTED CASH

	September 30, 2021	December 31, 2020
Organic Infrastructure Program – restricted term deposits	319	319
Organic Infrastructure Program – held as cash	368	-
Acquisition holdbacks held in trust by escrow agent	2,000	-
	2,687	319

The Company's restricted cash of \$2,687 at September 30, 2021 (December 31, 2020 - \$319) is held in restricted term deposits, held as cash or held in trust.

Restricted Organic Infrastructure Program funds received or receivable

The Company, through its wholly-owned subsidiary, SSS, was awarded a federal grant of \$765 under the Organic Infrastructure Program (OIP) for the expansion of its organic waste facility prior to EverGen's acquisition of SSS. The grant awarded is held in restricted term deposits as required by the Organic Infrastructure Program until released to the Company, however, any funds released to EverGen remain restricted cash as these program funds form part of the NZWA and SSS holdbacks (see Holdback provisions and escrow arrangements below).

At December 31, 2020, \$319 of the OIP federal grant was held in restricted term deposits and the remaining \$447 was included as collateralized accounts receivable. In May 2021, EverGen received \$368 of these funds receivable. At September 30, 2021, \$319 of the OIP federal grant is held in restricted term deposits, \$368 is held as cash and \$79 remain as collateralized accounts receivable (note 5). The funds from the OIP grant remain restricted cash and collateralized accounts receivable subject to the holdback performance obligations and escrow arrangements pursuant to the NZWA and SSS share purchase agreements.

Holdback provisions and escrow arrangements

During the nine month period ended September 30, 2021, pursuant to the NZWA and SSS share purchase agreements, EverGen transferred \$5,889 relating to holdbacks to the escrow agent in trust, of which:

- standard indemnity holdbacks of \$3,389 were released to the vendors and recognized as contingent consideration payments pursuant to customary closing adjustments (see note 12);
- performance driven holdbacks of \$500 were released to the vendors and recognized as contingent consideration payments; and
- the remaining \$2,000 balance relates to further performance driven holdbacks, held in trust and included in restricted cash at September 30, 2021, and is expected to be released from escrow subject to performance obligations and finalization of the NZWA and SSS acquisitions.

Contingent consideration

At September 30, 2021, the Company has recognized a \$1,133 contingent consideration liability related to the remaining holdback provisions and finalization of the NZWA and SSS acquisitions (note 12) and holds \$2,687 as restricted cash which will fund the remaining contingent consideration payments.

Upon finalization of the NZWA and SSS acquisitions, including finalization of holdbacks and working capital adjustments, the remaining funds held in restricted cash are expected to be released to the Company.

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

5. ACCOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020
Trade receivables	1,568	1,056
Organic Infrastructure Program receivable (note 4)	79	447
Other	-	12
	1,647	1,515

6. PROPERTY AND EQUIPMENT

	Land	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Assets under construction	Total
Cost						
May 13, 2020	-	-	-	-	-	-
Acquisition of NZWA	-	2,385	1,847	2,001	-	6,233
Acquisition of SSS	-	2,174	1,737	1,453	-	5,364
At December 31, 2020	-	4,559	3,584	3,454	-	11,597
Additions	-	258	178	110	150	696
Dispositions	-	-	(3)	-	-	(3)
Acquisition of FVB (note 3)	3,238	500	815	-	-	4,553
At September 30, 2021	3,238	5,317	4,574	3,564	150	16,843
Accumulated depreciation						
At December 31, 2020	-	-	-	-	-	-
Depreciation	-	200	240	240	-	680
At September 30, 2021	-	200	240	240	-	680
Carrying value						
At December 31, 2020	-	4,559	3,584	3,454	-	11,597
At September 30, 2021	3,238	5,117	4,334	3,324	150	16,163

EverGen's property and equipment consists of land, buildings and leasehold improvements, equipment, vehicles and other assets, ROU assets and assets under construction. The Company's ROU assets include lease contracts for land and equipment. EverGen leases, under long term leases, the land on which it operates and equipment which is used in operations, and office space under various lease terms.

Depreciation on the NZWA and SSS acquired assets commenced on January 1, 2021. Assets under construction are not subject to depreciation until the assets are available for use. Land is not subject to depreciation.

As at September 30, 2021, there were no indicators of impairment related to the Company's property and equipment.

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

7. INTANGIBLE ASSETS

	Brands	Customer contracts and stakeholder relationships	Total
Cost			
May 13, 2020	-	-	-
Acquisition of NZWA	110	11,480	11,590
Acquisition of SSS	1,070	8,300	9,370
At December 31, 2020	1,180	19,780	20,960
Acquisition of FVB (note 3)	-	5,250	5,250
At September 30, 2021	1,180	25,030	26,210
Accumulated amortization			
At December 31, 2020	-	-	-
Amortization	44	1,303	1,347
At September 30, 2021	44	1,303	1,347
Carrying value			
At December 31, 2020	1,180	19,780	20,960
At September 30, 2021	1,136	23,727	24,863

Amortization on the acquired assets of NZWA and SSS commenced on January 1, 2021.

As at September 30, 2021, there were no indicators of impairment related to the Company's intangible assets.

8. GOODWILL

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

	September 30, 2021	December 31, 2020
Net Zero Waste Abbotsford	3,420	3,420
Sea to Sky Soils	7,554	7,554
Fraser Valley Biogas (note 3)	3,280	-
	14,254	10,974

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

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Trade payables and accrued liabilities	1,613	3,043
Taxes payable	19	516
Other liabilities	143	382
	1,775	3,941

10. LOANS PAYABLE

	Total
At December 31, 2020	-
Advances	7,000
Interest expense (note 16)	133
Loan payments	(500)
At September 30, 2021	6,633
Less current portion	(700)
Long-term portion	5,933

On March 17, 2021, EverGen entered into a credit facility arrangement with a Canadian lender, providing for a senior secured term loan of up to \$7,000, repayable over a term of three years bearing interest at a rate of Canadian Variable Rate plus 3.0 percent per annum. The credit facility is secured by the assets of the Company and its subsidiaries.

The credit facility agreement is subject to the following covenants:

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

As at September 30, 2021, the Company is in compliance with all covenants.

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

11. LEASE LIABILITIES

	Total
At December 31, 2020	3,454
Additions	110
Interest expense (note 16)	147
Lease payments	(344)
At September 30, 2021	3,367
Less current portion	(294)
Long-term portion	3,073

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

12. CONTINGENT CONSIDERATION

	Total
At December 31, 2020	5,655
Contingent consideration payments	(3,889)
Contingent consideration gain on fair value adjustment of liability	(633)
At September 30, 2021	1,133

At December 31, 2020, the Company recognized \$5,655 of contingent consideration related to the acquisitions of NZWA and SSS. The contingent consideration included holdback amounts and working capital adjustments.

During the nine month period ended September 30, 2021, pursuant to the NZWA and SSS share purchase agreements, EverGen made contingent consideration payments of \$3,889 consisting of:

- standard indemnity holdbacks of \$3,389 that were released to the vendors pursuant to customary closing adjustments; and
- performance driven holdbacks of \$500 that were released to the vendors.

During the nine month period ended September 30, 2021, EverGen recognized a \$633 contingent consideration gain in re-measuring the liability at fair value at September 30, 2021 taking into account changes in estimated holdbacks, performance obligations and working capital changes.

At September 30, 2021, the Company holds \$2,687 in restricted cash to fund the \$1,133 contingent consideration (note 4).

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine month periods ended September 30, 2021

(All amounts in Canadian \$000's, except as indicated)

13. SHAREHOLDERS' EQUITY

a) Authorized

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

b) Issued share capital

	Number of common shares (thousands)	Amount
At May 13, 2020	-	-
Issuance to the Founders at incorporation	-	-
Issuance to the Founders on conversion of convertible notes	1,260	600
Issuance to Additional Founders	140	700
Issuance on non-brokered private placement	1,366	6,830
Issuance in exchange for advisor services in connection with non-brokered private placement	42	210
Issuance on brokered private placement	4,617	23,053
Issuance as consideration for acquisitions of NZWA and SSS	778	3,889
Share issue costs, net of tax effect	-	(2,492)
At December 31, 2020	8,203	32,790
Issuance on non-brokered private placements	375	2,320
Issuance in exchange for consulting services in connection with acquisitions	50	250
Issuance of Special Warrant Unit Shares in connection with the Special Warrant Financing ⁽¹⁾	1,059	7,225
Issuance in exchange for advisor services in connection with the Special Warrant Financing	13	95
Issuance as consideration for acquisition of FVB	125	1,000
Issuance on satisfaction of share rights (see share rights)	462	32
Issuance on Initial Public Offering	3,080	19,034
Share issue costs, net of tax effect	-	(2,452)
At September 30, 2021	13,367	60,294

The following common shares were issued during the nine month period ended September 30, 2021:

Private placements of common shares

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

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

In addition, during the nine month period ended September 30, 2021, EverGen completed other private placements of 10,000 common shares at \$5.00 per common share for gross proceeds of \$50.

Common shares issued to consultants and advisors

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

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Special Warrant Financing

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

Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise, one Special Warrant Unit at no additional cost. Each Special Warrant not previously voluntarily exercised by the holder thereof shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, for one Special Warrant Unit on the Automatic Exercise Date.

The Automatic Exercise Date is the earlier of (i) the date which is the third business day following the date on which the Company has obtained a receipt for the final, long prospectus of the Company from the British Columbia Securities Commission, as principal regulator, qualifying the distribution of the Special Warrant Units in qualifying jurisdictions and (ii) the first business day following July 19, 2021, the exercise deadline day.

Each Special Warrant Unit is comprised of:

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

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

EverGen determined a fair value of \$2.36 per Special Warrant Unit Warrant, see share warrants below and recognized \$1,250 of gross proceeds in share warrants and the balance of \$7,225 in share capital.

On July 20, 2021, following the Automatic Exercise Date, the 1,059,325 Special Warrants were deemed exercised for 1,059,325 Special Warrant Units, each unit comprising one common share and one half a warrant issued with the completion of this deemed exercise.

Issued on acquisition

On April 16, 2020, EverGen acquired all the issued and outstanding common shares of Fraser Valley Biogas Ltd., a private company, in exchange for cash consideration of \$10,690, and 125,000 EverGen common shares valued at \$8.00 per common share using the share price of EverGen on the acquisition date.

Initial Public Offering

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

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

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

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

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The IPO was conducted by a syndicate of underwriters.

c) Share issue costs

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

For the nine month period ended September 30, 2021

Advisor services settled by common share issuance	95
Advisor services settled by share warrant issuances	97
Share issue costs paid in cash or accrued	3,096
Tax effect of share issue costs	(836)
Total	2,452

d) Share warrants

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

The following share warrants were issued during the nine month period ended September 30, 2021:

Special Warrant Financing

On March 18, 2021, EverGen completed a private placement of 1,059,325 Special Warrants at \$8.00 per unit for aggregate gross proceeds of \$8,475 as part of the Special Warrant Financing and completed:

- A brokered private placement of 756,200 Special Warrants for gross proceeds of \$6,050; and
- A non-brokered private placement of 303,125 Special Warrants for gross proceeds of \$2,425

Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise, one Special Warrant Unit at no additional cost. Each Special Warrant not previously voluntarily exercised by the holder thereof

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shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, for one Special Warrant Unit on the Automatic Exercise Date, see issued share capital above. Each Special Warrant Unit is comprised of:

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

Each of the 529,662 Special Warrant Unit Warrants entitles the holder thereof to acquire one Common Share (a "Warrant Share") at a price of \$10.50 for a period of 24 months from the Automatic Exercise Date.

On July 20, 2021, following the Automatic Exercise Date, the 1,059,325 Special Warrants were deemed exercised for 1,059,325 Special Warrant Units, each unit comprising one common share and one half a warrant issued with the completion of this deemed exercise. As management previously determined these Special Warrants are equity instruments, EverGen included the 1,059,325 Special Warrant Unit Shares as part of share capital and included the 529,662 Special Warrant Unit Warrants as part of share warrants as of March 18, 2021, the private placement issue date of the Special Warrants.

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

For the nine month period ended September 30, 2021	Special Warrant Unit Warrants
Share price on grant date	7.00
Exercise price	10.50
Fair value per warrant	2.36
Expected volatility (percent)	80
Risk-free interest rate (percent)	0.27
Expected forfeiture rate (percent)	-
Expected life (years)	2.18
Expected dividend yield	-

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

In connection with the brokered private placement, the Company:

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

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

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

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

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

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- Paid the finder a fee equal to 6 percent of the gross proceeds from 225,000 Special Warrants sold to subscribers introduced by the finder, which was settled by:
 - Issuing 13,500 Common Shares at a price of \$8.00 per Common Share to the finder; and
 - Issued 6,750 Finder Warrants.

Each Finder Warrant is exercisable for one Common Share (a "Finder Warrant Share") at a price of \$8.00 for a period of 12 months following the Automatic Exercise Date.

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

For the nine month period ended September 30, 2021	Broker Options	Broker Unit Warrants	Finder Warrants
Share price on grant date	7.00	n/a	7.00
Expected share price on the Automatic Exercise Date	n/a	9.40	n/a
Exercise price	9.40	10.50	9.40
Fair value per warrant	1.80	3.92	1.80
Expected volatility (percent)	83	80	83
Risk-free interest rate (percent)	0.16	0.27	0.16
Expected forfeiture rate (percent)	-	-	-
Expected life (years)	1.18	2.18	1.18
Expected dividend yield	-	-	-

Estimated share price on the Automatic Exercise Date is based on a probability-weighted offering price estimate of the anticipated initial public offering. Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly-traded peer companies. Expected life is based on general holder behavior, the contractual maturity of the instrument and a probability-weighted estimate of the Automatic Exercise Date, and the risk-free interest rate is based on Government of Canada bonds of a similar duration.

For the period ended September 30, 2021, issue costs related to the Share Warrant Financing was recognized as share issue costs and a reduction of share capital.

Initial Public Offering

On August 4, 2021, EverGen completed an IPO of 3,080,000 IPO Units of the Company at an IPO Price of \$6.50 per IPO Unit, for aggregate gross proceeds of \$20,020, see issued share capital above.

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

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

IPO over-allotment option

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

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

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e) Share rights

	Number of share rights (thousands)	Amount
At May 13, 2020	-	-
Issuance of share rights at brokered private placement	462	32
At December 31, 2020 and September 30, 2021	462	32
Issuance of common shares on satisfaction of share rights	(462)	(32)
At September 30, 2021	-	-

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

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

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

f) Share-based incentive programs and payment plans

Equity Incentive Plan

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

The purpose of the Equity Incentive Plan is to advance the interests of the Company by providing an incentive to the directors, officers, employees and consultants of the Company, and any of its subsidiaries (including any acquired businesses) and affiliates, if any, to align growth objectives of the Company and participants, to associate a portion of the participants' compensation with the Company's long term performance and to attract to and retain in the employment of the Company or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company through the acquisition of common shares.

The total number of PSUs, Options, RSUs and DSUs that can be granted pursuant to the Equity Incentive Plan is equal to 20 percent of the issued and outstanding Common Shares (on a non-diluted basis) calculated as of the date the Company is listed on the TSX Venture Exchange.

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

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Options

Pursuant to the EverGen Equity Incentive Plan, the Company may grant Options from time to time to directors, officers, employees and consultants of the Company to acquire common shares in the capital stock of the Company at an exercise price as determined by the board of directors.

The Company has the following outstanding Options at September 30, 2021:

	Number of Options	Weighted average exercise price
Outstanding at December 31, 2020	-	-
Granted	220	9.53
Forfeited	(2)	9.40
Outstanding at September 30, 2021	218	9.53

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

On September 8, 2021, the Company granted 25,000 Options to a consultant of the Company at an exercise price of \$10.50 each. These Options vest immediately and are exercisable for a period of two years from the grant date to purchase one common share for each Option held. As these Options vest immediately, the Company recognized \$40 of share-based payment expense related to these Options for the nine month period ended September 30, 2021.

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

	Mar 18, 2021 Options	Sep 8, 2021 Options
For the nine month period ended September 30, 2021		
Share price on grant date	7.00	5.85
Expected exercise price	9.40	10.50
Fair value per Option	4.45	1.59
Expected volatility (percent)	75	80
Risk-free interest rate (percent)	0.53	0.39
Expected forfeiture rate (percent)	10	-
Expected life (years)	7	2
Expected dividend yield	-	-

Estimated exercise price of the March 18, 2021 Option grant is based on a probability-weighted offering price estimate of the anticipated initial public offering. Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly-traded peer companies. Expected life is based on general option-holder behavior and the risk-free interest rate is based on Government of Canada bonds of a similar duration.

For the nine month period ended September 30, 2021, \$278 of share-based payment expense related to Options was recognized in net income (loss).

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PSUs, RSUs and DSUs

The Company has the following outstanding PSUs, RSUs and DSUs at September 30, 2021:

	Number of PSUs	Number of RSUs	Number of DSUs
Beginning, May 13, 2020	-	-	-
Granted	600	-	-
Outstanding at December 31, 2020	600	-	-
Granted	-	130	28
Outstanding at September 30, 2021	600	130	28

Performance share units

EverGen has a Performance Share Unit Plan ("PSU Plan") whereby PSUs may be granted from time to time to directors, officers, employees and contractors of the Company. The Company is entitled to issue up to 600,000 performance share units, pursuant to the PSU Plan, approved by the board of directors on December 30, 2020. While the number of PSUs outstanding will count towards the maximum number of common shares reserved under the Equity Incentive Plan, no additional PSUs can be granted under the Equity Incentive Plan or the PSU Plan.

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

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

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

For the nine month period ended September 30, 2021, \$609 of share-based payment expense related to PSUs was recognized in net income (loss).

Restricted share units

Pursuant to the EverGen Equity Incentive Plan, the Company may grant RSUs from time to time to directors, officers, employees and consultants of the Company.

Upon vesting of the RSUs, the plan participant will receive, at the option of the Company, one common share for each vesting RSU or a cash payment based on the fair value of the vesting RSU. The Company has classified RSUs as equity-settled share-based compensation.

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

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

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

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

	Mar 18, 2021	Jun 29, 2021	Sep 8, 2021
For the nine month period ended September 30, 2021	RSUs	RSUs	RSUs
Share price on grant date	7.00	6.50	5.85
Fair value per RSU	7.00	6.50	5.85
Expected volatility (percent)	75	75	74
Risk-free interest rate (percent)	0.53	0.54	0.49
Expected forfeiture rate (percent)	10	-	10
Expected life (years)	3.00	2.50	3.00
Expected dividend yield	0.00	0.00	0.00

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

For the nine month period ended September 30, 2021, \$102 of share-based payment expense related to RSUs was recognized in net income (loss).

Deferred share units

Pursuant to the EverGen Deferred Share Unit Plan ("DSU Plan"), the Company may grant DSUs from time to time to directors of the Company. DSUs will be fully vested upon being granted to directors.

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

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

For the nine month period ended September 30, 2021, \$193 of share-based payment expense related to DSUs was recognized in net income (loss).

Share-based payments

EverGen recorded the following share-based payments directly in equity:

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Issuance of common shares in exchange for advisor services in connection with Special Warrant Financing	-	-	95	-
Issuance of share warrants in exchange for advisor services in connection with Special Warrant Financing	-	-	97	-
Total	-	-	192	-

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EverGen recorded the following share-based payment expense in net income (loss):

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Options	149	-	278	-
PSUs	205	-	609	-
RSUs	83	-	102	-
DSUs	-	-	193	-
Total	437	-	1,182	-

14. REVENUE

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Tipping fees	1,283	-	4,776	-
Organic compost and soil sales	245	-	1,131	-
RNG sales	368	-	638	-
Trucking services & other revenue	41	-	326	-
Total	1,937	-	6,871	-

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

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Salaries and wages	288	-	692	-
Professional and consulting fees	(120)	-	930	-
Other	166	6	399	6
Total	334	6	2,021	6

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16. FINANCE COSTS (INCOME), NET

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Interest expense on loans payable (note 10)	54	-	133	-
Interest expense on lease liabilities (note 11)	49	-	147	-
Other	11	-	66	-
Interest income	(1)	-	(3)	-
Finance costs (income), net	113	-	343	-

17. OTHER INCOME

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Sale of carbon tax credits	165	-	165	-
Rental income	34	-	45	-
Other	-	-	3	-
Total	199	-	213	-

18. INCOME TAXES

The Company recognized the following income taxes:

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Current tax expense (recovery)	(14)	-	(11)	-
Deferred tax expense (recovery)	499	-	(171)	-
Tax expense (recovery)	485	-	(182)	-

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19. EARNINGS (LOSS) PER SHARE AMOUNTS

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

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
<i>(Canadian \$000's, except common shares in thousands)</i>				
Net income (loss) attributable to shareholders	493	(6)	(840)	(6)
Weighted average common shares outstanding				
Issued common shares at beginning of period	10,287	-	8,203	-
Effect of private placement issuances	-	-	316	-
Effect of Special Warrant Unit Shares issued in connection with Special Warrant Financing ⁽¹⁾	-	-	764	-
Effect of shares issued to consultant on acquisitions	-	-	45	-
Effect of shares issued to finders or advisors	-	-	10	-
Effect of shares issued on acquisition	-	-	77	-
Issuance on satisfaction of share rights	-	-	171	-
Effect of Initial Public Offering issuances	1,942	-	655	-
Weighted average common shares outstanding				
– Basic	12,229	-	10,241	-
Effect of dilutive share warrants	72	-	78	-
Effect of dilutive RSUs	15	-	2	-
Effect of dilutive DSUs	28	-	20	-
Weighted average common shares outstanding				
– Diluted	12,344	-	10,341	-
Earning (Loss) per share				
Basic	\$0.04	(\$2,142.16)	(\$0.08)	(\$2,144.89)
Diluted	\$0.04	(\$2,142.16)	(\$0.08)	(\$2,144.89)

For the nine months ended September 30, 2021 and the periods ended September 30, 2020, the Company excluded the effect of warrants, shareholder rights, PSUs, DSUs, RSUs or Options as the effect would be anti-dilutive as the Company had a net loss during these periods and their effect would have been anti-dilutive.

The weighted average common shares outstanding in the table above are presented in thousands. The loss per share numbers presented for the 2020 periods above have been calculated based on the three common shares issued to Founder shareholders on incorporation on May 13, 2020 and outstanding throughout these periods.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

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

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

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). Changes in the fair value of contingent consideration are recognized in net income (loss).

Financial risk management

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

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect EverGen's net income (loss) or value of financial instruments.

Interest rate risk

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

At September 30, 2021, the Company has fixed interest rates associated with its lease liabilities, thereby substantially reducing the cash flow risk of market fluctuations related to interest rates.

At September 30, 2021, the Company is exposed to interest rate risk with respect to its loans payable. If interest rates were to increase or decrease 50 basis points, the impact on interest expense in net income (loss) for the nine month period ended September 30, 2021 would be \$12.

Foreign exchange risk

EverGen has very few transactions denominated in foreign currencies thereby minimizing risk associated with fluctuations in exchange rates.

Credit risk

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

EverGen is exposed to credit risk with respect to its accounts receivable. As at September 30, 2021, the carrying amount of the Company's accounts receivables is \$1,647 (December 31, 2020 - \$1,515). The

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Company's credit risk is concentrated with a few customers, primarily municipal governments. At September 30, 2021, 5 customers represented 53 percent of accounts receivable (December 31, 2020 – 5 customers represented 53 percent of accounts receivable).

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

EverGen held cash and cash equivalents of \$20,838 and restricted cash of \$2,689 at September 30, 2021 which represents its maximum credit exposure on these assets (December 31, 2020 - \$4,684 cash and cash equivalents and \$319 restricted cash). The cash is held with major financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

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

The expected timing of cash outflows relating to financial liabilities on the balance sheet as at September 30, 2021 are:

	< 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	1,775	-	-	-	-	-	1,775
Contingent consideration	1,133	-	-	-	-	-	1,133
Loan payments ⁽¹⁾	949	922	5,350	-	-	-	7,221
Lease payments ⁽¹⁾	479	415	383	332	281	3,163	5,053
Total	4,336	1,337	5,733	332	281	3,163	15,182

⁽¹⁾ Includes principal and interest.

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

Capital management

The capital structure of EverGen consists of the following:

	September 30, 2021	December 31, 2020
Working capital (surplus) deficit	(21,751)	2,842
Long-term loans payable	5,933	-
Long-term lease liabilities	3,073	3,229
Shareholders' equity	61,889	31,909
	49,144	37,980

EverGen's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements.

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

21. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

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

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Management salaries and other benefits	241	-	610	-
Share-based payment expense	367	-	1,109	-
	608	-	1,719	-

At September 30, 2021, \$11 is payable to members of executive management and directors as reimbursement of EverGen expenses incurred.

Other related party transactions

Office rent - expense

During the first three months of 2021, the Company incurred office rent expense of \$10 to a private company of which a board member is a partner, with respect to shared office space. The fees which are included in general and administrative expenses were incurred in the normal course of business under the same terms and conditions as transactions with unrelated companies. At September 30, 2021, \$nil was payable to the company.

New office rent sub-lease – other income

In April 2021, the Company entered into a new office lease with a third party. The Company sub-leases part of this office space to a private company of which a board member is a partner. During the nine month period ended September 30, 2021, the Company included \$14 in other income (note 17). The Company billed these fees in the normal course of business under the same terms and conditions as transactions with unrelated companies. At September 30, 2021, \$3 was receivable from the company.

EverGen Infrastructure Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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(All amounts in Canadian \$000's, except as indicated)

22.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:

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Net changes in non-cash working capital:				
Accounts receivable	463	-	(323)	-
Prepaid expenses and other assets	(58)	-	(9)	-
Inventories	(20)	-	19	-
Accounts payable and accrued liabilities	(1,251)	10	(2,291)	10
	(756)	10	(2,604)	10
Net changes in non-cash working capital related to:				
Operating activities	(396)	6	(2,609)	6
Investing activities	165	-	224	-
Financing activities	(525)	4	(219)	4
	(756)	10	(2,604)	10
Interest paid	112	-	290	-
Taxes paid	189	-	661	-

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

	Three months ended	Three months ended	Nine months ended	Period from incorporation on May 13, 2020 to
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
Loans payable				
Balance, beginning of period	6,777	-	-	-
Loans advanced	-	-	7,000	-
Principal repayments	(144)	-	(367)	-
Balance, end of period	6,633	-	6,633	-
Lease liabilities				
Balance, beginning of period	3,439	-	3,454	-
Lease additions	(3)	-	110	-
Principal repayments	(69)	-	(197)	-
Balance, end of period	3,367	-	3,367	-

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23.COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

At September 30, 2021, EverGen had the following additional contractual obligations and commitments as follows:

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Service contracts and other lease commitments ⁽¹⁾	80	30	5	5	-	-	120
Consulting services agreements	100	-	-	-	-	-	100
Carbon emission credits – purchase agreement	99	71	-	-	-	-	170
Total	279	101	5	5	-	-	390

⁽¹⁾ Service contracts for leased equipment and leased property utility and property tax commitments.

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

Uncertainty over income tax treatments

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

24. SUBSEQUENT EVENTS

FortisBC 20 year offtake agreement – Regulatory approval obtained

In October 2021, the British Columbia Utilities Commission ("BCUC") approved the RNG offtake agreement with FortisBC Energy Inc. ("FortisBC") for the Company's anaerobic digester expansion project at its Net Zero Waste Abbotsford Inc. composting and organic processing facility in Abbotsford, British Columbia.

In April 2021, the Company announced that its wholly owned subsidiary NZWA entered into a 20-year offtake agreement with FortisBC. Under the agreement, FortisBC will purchase up to 173,000 gigajoules of RNG annually for injection into its natural gas system. The project is expected to convert municipal and commercial organic waste into enough energy to meet the needs of approximately 1,900 residential homes.

This marks the final regulatory step with respect to the NZWA offtake agreement. Upon completion of NZWA project development and construction activities, EverGen expects to begin supplying RNG from the project to FortisBC's network by early 2023.

EverGen facilities located in flooded areas

With respect to severe flooding that has occurred in the Abbotsford and Sumas Prairie regions in mid November 2021, as of the time of these financial statements, the areas surrounding EverGen's Fraser Valley Biogas facility have been subject to an evacuation order and as a result, the FVB facility has been temporarily shut down. The Company's NZWA facility remains in operation. EverGen confirms that the employees from both FVB and NZWA remain accounted for and safe.

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EverGen continues to monitor the situation in the Abbotsford and Sumas Prairie regions to ensure employee safety and project security for both facilities, and to determine and assess damage to its property or assets, however, with the Company's insurance coverage in place expected to adequately cover any resulting financial and/or business loss, the Company does not expect a material impact to its business as a result of flooding surrounding its FVB facility or its NZWA facility at this time.

Corporate Information

OFFICERS

Chase Edgelow
Chief Executive Officer & Director

Mischa Zajtmann
President & Corporate Secretary

Jennifer Schilling
Chief Financial Officer

Sean Mezei
Chief Operating Officer

BOARD OF DIRECTORS

Ford Nicholson⁽¹⁾⁽²⁾

Chase Edgelow⁽³⁾

Mary Hemmingsen⁽¹⁾⁽²⁾⁽³⁾

Djenane Cameron⁽¹⁾⁽²⁾

Jon Ozturgut⁽³⁾

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TSX Venture Exchange ("TSX-V")
Trading Symbol: EVGN

INVESTOR RELATIONS INFORMATION

investors@evergeninfra.com

(1) Member of the Audit Committee

(2) Member of the Corporate Governance and Nomination Committee

(3) Member of the Safety and Sustainability Committee