



## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022

Dated November 21, 2022

## FINANCIAL AND OPERATIONAL HIGHLIGHTS SUMMARY

**Core RNG expansion and development projects:** EverGen continues to progress on its core RNG expansion and development projects.

### *Fraser Valley Biogas*

Construction at the **Fraser Valley Biogas core RNG expansion project** commenced in late-Q3 2022, with the initial construction focused on an additional anaerobic digester and improvements to the feedstock processing system. Completion is scheduled for Q1 2023 for an anticipated cost of \$13-\$15 million. The project is expected to double the capacity of the facility to ~160,000 gigajoules of RNG per year.

### *Net Zero Waste Abbotsford*

The **core RNG expansion project at Net Zero Waste Abbotsford** is expected to increase the facility's inbound organic feedstock to ~135,000 tonnes per year, from 40,000 tonnes per year, and add RNG production of ~180,000 gigajoules per year. The project is expected to cost \$32-\$35 million and is anticipated to commence construction in mid-2023, following the receipt of regulatory approvals.

### *GrowTEC*

In July 2022, EverGen completed the acquisition of a **67% interest in GrowTEC**, which is currently in the first phase of a **core RNG expansion project** designed to produce ~80,000 gigajoules of RNG per year and is expected to be completed in late-2022. The facility will then move into the second phase of the project, which is expected to produce a total of ~140,000 gigajoules of RNG per year.

### *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, collectively capable of producing ~1.7 million gigajoules of RNG per year and are expected to be constructed throughout 2023 and 2024.

**Financing:** In August 2022, EverGen announced the signing of a term sheet for a \$31 million senior term loan to support the funding of its near-term core RNG expansion projects at Fraser Valley Biogas and Net Zero Waste Abbotsford.

**Cash and cash equivalents:** Due to the investment of cash and cash equivalents received from EverGen's IPO into the Company's core RNG expansion and development projects and capital improvements, cash and cash equivalents decreased 38%, or \$8.0 million, to \$12.8 million as at September 30, 2022, compared to September 30, 2021. The remaining uninvested cash, combined with the expected \$31 million debt facility announced in August 2022, this fully-funds EverGen's core RNG expansion projects.

**Revenue:** For the three months ended September 30, 2022, revenue of \$1,957 was consistent compared to the same period last year. An increase in revenues from the acquisition of GrowTEC was partially offset by a decrease in RNG revenues due to ongoing issues to RNG production associated with flood-related damage to equipment, which has since been remediated.

For the nine months ended September 30, 2022, revenues of \$5,743 decreased, compared to the same period last year, primarily due to lower volumes of incoming organic feedstock and seasonal impacts on organic compost and soil sales.

**Net income (loss):** For the three and nine months ended September 30, 2022, net income (loss) of (\$1,819) and (\$2,584) increased \$2,312 and \$1,744, compared to the same periods last year, mainly due to an increase in flood-related costs, the absence of a contingent consideration gain and an increase in general and administrative costs associated with supporting EverGen's growth and transformation, partially offset by the recognition of insurance proceeds.

During 2022, the Federal Government of Canada enacted tax legislation reducing the corporate income tax rate for qualifying zero-emission technology manufacturers by 7.5% and allows for the accelerated

recognition of the capital cost allowance for eligible equipment, which EverGen expects both initiatives will apply to its core RNG expansion and development projects.

**Adjusted EBITDA:** For the three months ended September 30, 2022, EverGen recorded adjusted EBITDA of \$650. The decrease in adjusted EBITDA was primarily due to flood-related costs incurred and an increase in general and administrative costs, partially offset by insurance proceeds recognized. During the three months ended September 30, 2022, there was flood-related downtime at FVB and flood-related disposal costs at NZWA, both which are insurable under the Company's insurance policies. The flood-related downtime at FVB has been remediated.

For the nine months ended September 30, 2022, EverGen recorded adjusted EBITDA of \$1,706. EverGen estimates that \$2.3 million of flood-related lost revenue and expenditures were incurred during this period and as at September 30, 2022, \$0.3 million of related insurance recoveries remain outstanding.

**RNG Volumes:** RNG volumes commenced on April 16, 2021, upon the acquisition of FVB. RNG volumes were impacted as a direct result of flooding events in the Abbotsford and Sumas Prairie regions, which resulted in the shut down of the FVB facility on November 15, 2021, until operations were restored on March 2, 2022. Since March 2, 2022, FVB has been operating and producing daily volumes of up to 334 GJ/d. RNG production volumes have been fluctuating from intermittent flood-related issues, which have been remediated as part of the core RNG expansion project at FVB.

	Three months ended				Nine months ended			
	Sep 30, 2022	Sep 30, 2021	\$ Change	% Change	Sep 30, 2022	Sep 30, 2021	\$ Change	% Change
<b>FINANCIAL</b>								
Revenue	1,957	1,937	20	1	5,743	6,871	(1,128)	(16)
Net income (loss) attributable to shareholders	(1,832)	493	(2,325)	(472)	(2,597)	(840)	(1,757)	209
Net income (loss) per share (\$), basic and diluted	(0.13)	0.04	(0.17)	(425)	(0.19)	(0.08)	(0.11)	138
EBITDA <sup>(1)</sup>	(486)	1,854	(2,340)	(126)	(159)	1,348	(1,507)	(112)
Adjusted EBITDA <sup>(1)</sup>	650	791	(141)	(18)	1,706	2,857	(1,151)	(40)
Capital expenditures <sup>(2)</sup>	3,546	318	3,228	1,015	7,250	11,276	(4,026)	(36)
Total assets	85,692	80,933	4,759	6	85,692	80,933	4,759	6
Total long-term liabilities	17,462	15,142	2,320	15	17,462	15,142	2,320	15
Cash and cash equivalents	12,841	20,840	(7,999)	(38)	12,841	20,840	(7,999)	(38)
Working capital surplus	10,079	21,751	(11,672)	(54)	10,079	21,751	(11,672)	(54)
<b>COMMON SHARES (thousands)</b>								
Outstanding, end of period	13,872	13,367	505	4	13,872	13,367	505	4
Weighted average – basic	13,794	12,229	1,565	13	13,528	10,241	3,287	32
Weighted average – diluted	13,794	12,344	1,450	12	13,528	10,241	3,287	32
<b>OPERATING</b>								
Incoming organic feedstock (tonnes)	19,375	20,465	(1,090)	(5)	59,758	68,097	(8,339)	(12)
Organic compost and soil sales (yards)	8,219	12,532	(4,313)	(34)	27,397	56,671	(29,274)	(52)
RNG (gigajoules)	14,975	23,854	(8,879)	(37)	41,001	42,698	(1,697)	(4)
Electricity (MWh)	698	-	698	100	698	-	698	100

<sup>(1)</sup> Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.

<sup>(2)</sup> Capital expenditures for the nine months ended September 30, 2022 includes a \$2,054 investment in GrowTEC and a \$1,000 initial investment in an equity-accounted investment (Project Radius).

## **BASIS OF PRESENTATION**

EverGen Infrastructure Corp. ("EverGen", "the Company", "we", "our", "us" or "its") has prepared the following Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2022, in accordance with National Instrument 51-102F1, and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022, which have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and the audited consolidated financial statements for the year ended December 31, 2021. 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 unaudited interim consolidated financial statements of EverGen have been prepared by management and approved by the Audit Committee of the Board of Directors as of November 21, 2022.

Additional information relating to the Company, including our Annual Information Form dated January 31, 2022 ("AIF"), is available on SEDAR at [www.sedar.com](http://www.sedar.com). 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 aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

## COMPANY OVERVIEW AND STRATEGY

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

EverGen commenced operations upon incorporation on May 13, 2020.

The Company currently operates four facilities through its subsidiaries: Net Zero Waste Abbotsford Inc. ("NZWA"), Sea to Sky Soils and Composting Inc. ("SSS"), Fraser Valley Biogas Ltd. ("FVB") and Grow the Energy Circle Ltd. ("GrowTEC"), and a 50% interest in Project Radius.



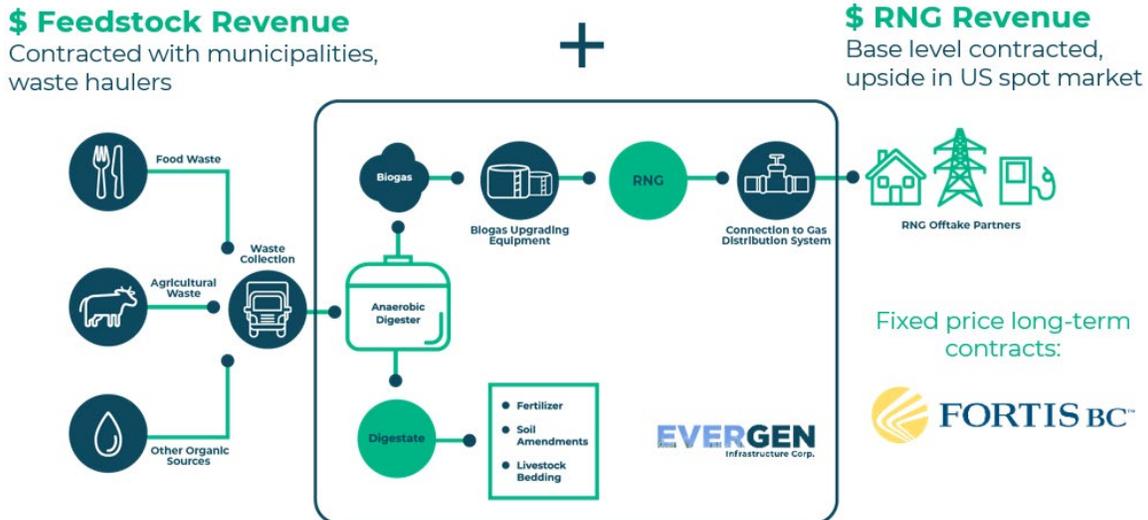
FVB is British Columbia's original RNG facility, which sells RNG under a long-term contract with FortisBC and combines anaerobic digestion and biogas upgrading to produce RNG, primarily by converting agricultural waste from local dairy farms. The FVB RNG facility is currently undergoing a core RNG expansion project to add additional RNG production that is expected to double the facility's existing capacity and increase RNG production to ~160,000 gigajoules per year. The capital costs for this project are expected to be \$13-15 million and the construction on the project commenced in Q3-2022, with completion anticipated in Q1 2023.

NZWA and SSS are currently organic waste conversion facilities in British Columbia, owned and operated by EverGen, which primarily processes inbound organics, yard waste and biosolids for a contracted tipping fee and produces high-quality organic compost and soils for farmers, gardeners and developers. NZWA is also 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 increase the facility's inbound organics throughput to ~135,000 tonnes of feedstock per year and is designed to produce ~180,000 gigajoules of RNG per year. Capital costs for this project are anticipated to be \$32-35 million. Construction of the upgrade will begin upon receipt of building and regulatory approvals, for which applications were submitted earlier in 2022. Construction on the project is expected to begin in mid-2023. Related to the core expansion project, EverGen is also investing in capital improvements and environmental upgrades to ensure the

readiness of the facility for increased volumes of inbound organics. The majority of the revenue currently earned by the composting operations is sourced under long-term contracts with local municipalities.

In July 2022, EverGen completed the acquisition of a 67% interest in GrowTEC, for cash consideration of \$2.1 million, subject to working capital adjustments, a commitment for a future contribution of assets to GrowTEC of \$0.3 million, and the issuance of 600,000 common shares of EverGen. Additional cash consideration of up to \$4.0 million will be made upon achievement of certain operational milestones. EverGen and GrowTEC are completing additions to the facility to upgrade biogas to produce RNG, which will then be delivered to FortisBC under an existing off-take agreement. The first phase of development will produce 80,000 gigajoules of RNG annually and is anticipated to be complete and producing gas into FortisBC's network at the end of 2022. The second phase of expansion is then expected to increase the RNG production capacity of the facility to 140,000 gigajoules per year.

In May 2022, EverGen acquired a 50% interest in a portfolio of RNG development projects in Ontario ("Project Radius"). Project Radius is 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 throughout 2023 and 2024. EverGen is currently working with its partner on developing Project Radius to advance the projects to the notice-to-proceed phase of development.



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

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

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

## OUTLOOK

EverGen continues to be a first mover in the RNG infrastructure space and, through this competitive advantage, considers itself a leader in the industry. The recent acquisitions of a 67% interest in GrowTEC and a 50% interest in Project Radius, demonstrates EverGen's ability to drive the consolidation and the growth of the RNG industry, as well as expand its geographical base. EverGen expects to continue to

pursue RNG consolidation opportunities across North America, investing in truly sustainable operations that contribute to carbon-negative energy production, and positively impacting climate change initiatives.

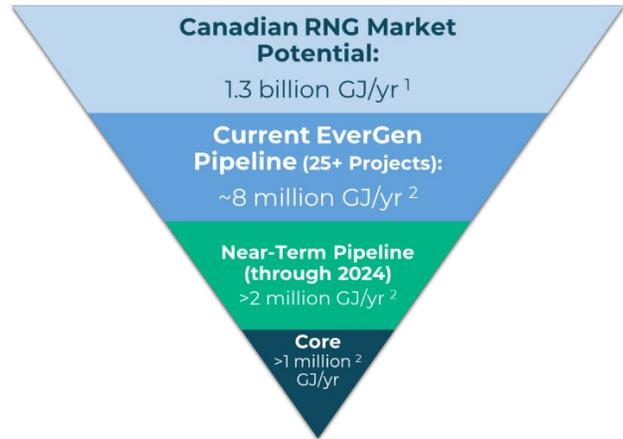
EverGen's ability to continue to grow its business, and generate improvements on its financial performance, depends on the execution of its strategy to build, own, and operate a portfolio of RNG, waste to energy and related sustainable infrastructure projects, including:

- Developing and constructing 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 inputs to provide stable long-term low-risk cash flows;
- Acquiring cash flow generating projects for the early generation of working capital;
- 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 project portfolio via strategic acquisitions and consolidation opportunities.

We believe that EverGen is uniquely positioned to capture 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 various feedstock and increased customer demand for lower carbon energy alternatives. We believe that there is growing societal expectations of carbon neutral and circular economy solutions.

### *Executing strategic and accretive acquisitions*

EverGen's ability to identify, execute and integrate accretive acquisitions is a key driver of our growth. Given the existing significant fragmentation in the North American market, 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 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 of acquisitions opens new markets to EverGen, provides us with additional growth opportunities and drives further procurement and cost synergies across our operations.



### *Driving cost efficiencies*

Our high-value services and high-quality products through strategically located facilities provide the foundation to continue to consolidate growth and realize operational and capital efficiencies. To do so, we have been investing in a scalable platform and capabilities. This investment will be 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.

<sup>1</sup> Source: Biogas World

<sup>2</sup> Net to EverGen

### 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

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 intends to deliver on its ESG values as follows:

<b>Environmental</b> 	<ul style="list-style-type: none"><li>Recycle waste products and reduce GHG emissions in the production of renewable energy, which replaces higher CO<sub>2</sub> sources</li></ul>
<b>Social</b> 	<ul style="list-style-type: none"><li>Operate as a community-focused business, receiving and recycling organic waste from local municipalities and businesses and partnering with First Nations communities who host operations and provide a vital workforce.</li></ul>
<b>Governance</b> 	<ul style="list-style-type: none"><li>Commitment to strong governance in operations and in planned growth and development of RNG.</li></ul>

EverGen is proactively engaged with local businesses, such as restaurants and food and beverage producers and distributors, to advance socially conscious commerce and creating 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 expectations of directing organic waste for recycling and the production of renewable energy.

## RESULTS OF OPERATIONS

### Revenue

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Tipping fees	1,306	1,283	2	4,185	4,776	(12)
Organic compost and soil sales	182	245	(26)	614	1,131	(46)
RNG sales	231	368	(37)	620	638	(3)
Electricity sales	235	-	100	235	-	100
Trucking services and other	3	41	(93)	89	326	(73)
<b>Total</b>	<b>1,957</b>	<b>1,937</b>	<b>1</b>	<b>5,743</b>	<b>6,871</b>	<b>(16)</b>

Revenue is generated primarily through contracted tipping fees charged to municipalities and other customers for the disposal of organic waste at the Company's waste management facilities. EverGen also generates revenue from the sale of high-quality organic compost and soils, and from hauling services associated with delivering organic waste. From April 16, 2021, revenue includes RNG sales by FVB under contract with FortisBC and from July 13, 2022, revenue includes electricity sales by GrowTEC to AESO. 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.

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Incoming organic feedstock (tonnes)	19,375	20,465	(5)	59,758	68,097	(12)
Organic compost and soil sales (yards)	8,219	12,532	(34)	27,397	56,671	(52)
RNG (gigajoules)	14,975	23,854	(37)	41,001	42,698	(4)
Electricity (MWh)	698	-	100	698	-	100

Tipping fees were consistent for the three months ended September 30, 2022, compared to the same period last year. Tipping fees decreased for the nine months ended September 30, 2022, compared to the same period last year, primarily due to lower volumes of incoming organic feedstock at SSS.

Organic compost and soil sales are exposed to fluctuations due to inherent seasonal demand, which is dependant upon weather conditions. During the first half of 2022, temperatures in Vancouver were generally lower than the same period in 2021, and precipitation was significantly higher. During the third quarter of 2022, temperatures were generally higher than the same period in 2021, and precipitation was significantly lower<sup>1</sup> with many regions experiencing drought-like conditions. This impacted the demand for our compost and soil and, as a result, organic compost and soil sales decreased by \$63, or 26%, and \$517, or 46%, for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year.

Revenue includes RNG sales from FVB from April 16, 2021. RNG production at FVB was halted in November 2021 due to the extraordinary nearly 100-year flooding event which occurred in the Abbotsford and Sumas Prairie regions. The disaster resulted in 108 days of downtime at FVB until production resumed on March 2, 2022. RNG revenue decreased by \$137, or 37%, for the three months ended September 30, 2022, compared to the same period last year, primarily due to ongoing issues to RNG production associated with flood-related damage to processing equipment. The lost revenues at FVB are insurable under the Company's insurance policy. Refer to Other income (expense) - net below for additional information on

<sup>1</sup> Source: <https://vancouver.weatherstats.ca/charts/>

insurance proceeds. During Q4 2022, EverGen remediated the causes of the disruptions to production as part of the overall FVB core RNG expansion project.

Revenue includes electricity sales from GrowTEC following the acquisition of a 67% interest on July 13, 2022.

### Cost of goods sold

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Cost of goods sold	824	359	130	2,595	1,822	42

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

Cost of goods sold increased by \$465, or 130%, and \$773, or 42% for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year, primarily due to increased freight and disposal costs related to the post-flood cleanup and processing at NZWA and the acquisition of GrowTEC in July 2022. The Company has received partial insurance proceeds for the post-flood cleanup and processing costs and further proceeds are expected throughout the remainder of 2022. Refer to Other income (expense) - net below for additional information on insurance proceeds.

### Gross profit

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Gross profit	1,133	1,578	(28)	3,148	5,049	(38)
% of revenue	58	81	(28)	55	73	(25)

EverGen's gross profit margin decreased to 58 percent and 55 percent for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year, primarily due to the increased costs associated with the post-flood cleanup and processing at NZWA. The expenses associated with the floods are insurable under the Company's insurance policies. Refer to Other income (expense) - net below for additional information on insurance proceeds.

### Operating costs

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Operating costs	1,108	652	70	2,690	1,295	108

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

Operating costs increased by \$456, or 70%, and \$1,395, or 108%, for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year, primarily due to increased flood-related repair and maintenance costs at FVB and NZWA specifically related to third-party restorative costs and equipment rental, as well as the absence of any operating costs relating to FVB during the three months ended March 31, 2021, due to the acquisition of FVB in April 2021 and the acquisition of GrowTEC in July 2022. Refer to Other income (expense) - net below for additional information on insurance proceeds.

### General and administrative expenses

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
General and administrative expenses	1,073	334	221	2,920	2,021	44

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

General and administrative expenses increased by \$739, or 221%, and \$899, or 44%, for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year, primarily due to costs incurred during 2022 associated with supporting EverGen's growth and transformation into a growth-orientated publicly traded asset manager and additional platform costs to realize efficiencies for future scale up including an increase in headcount, investor relations costs, legal, accounting, tax and audit fees, in addition to costs incurred relating to the acquisition of GrowTEC. This was partially offset by one-time professional, legal and consulting fees associated with the integration of acquisitions, implementation of processes and the preparation of readying EverGen as a reporting issuer and public filer incurred during the nine months ended September 30, 2021.

### Depreciation and amortization

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Depreciation	339	242	40	853	680	25
Amortization	488	521	(6)	1,464	1,347	9
<b>Total</b>	<b>827</b>	<b>763</b>	<b>8</b>	<b>2,317</b>	<b>2,027</b>	<b>14</b>

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

Depreciation and amortization increased during the three and nine months ended September 30, 2022, compared to the same periods last year, primarily due to the acquisition of property, plant and equipment and right-of-use assets since September 30, 2021, including the acquisition of GrowTEC in July 2022 and the absence of any depreciation and amortization relating to FVB during the three months ended March 31, 2021, due to the acquisition of FVB in April 2021.

### Share-based payment expense

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Share-based payment expense	260	437	(41)	312	1,182	(74)

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

Share-based payment expense decreased during the three and nine months ended September 30, 2022, primarily due to a forfeiture of certain equity incentives during the three months ended March 31, 2022, which resulted in a recovery of \$501 of previously recognized share-based payment expense and due to the recognition of a share-based payment expense of \$413 during the three months ended March 31, 2021, primarily relating to performance share units issued during late-2020 and deferred share units issued during early-2021.

During the nine months ended September 30, 2022, EverGen granted 158,351 RSU awards to certain directors, officers and employees of the Company and 15,000 options to a consultant of the Company. Subsequent to September 30, 2022, the Company granted 40,000 RSUs to an officer and certain employees of the Company, which vest over a three-year period.

*Finance costs - net*

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Interest expense on loans payable	94	54	74	233	133	75
Interest expense on lease liabilities	82	49	67	184	147	25
Other	2	11	(82)	(5)	66	(108)
Interest income	(1)	(1)	-	(6)	(3)	100
<b>Total</b>	<b>177</b>	<b>113</b>	<b>57</b>	<b>406</b>	<b>343</b>	<b>18</b>

EverGen's finance costs primarily relate to interest expense recognized on loans payable, for which funds were used to finance growth in the Company's asset base, the associated interest expense on lease liabilities and the Company's credit facility entered into during the first quarter of 2021.

Finance costs – net increased by \$64, or 57%, and \$63, or 18%, for the three and nine months ended September 30, 2022, respectively, compared to the same periods last year, primarily due to the increase in interest rates during the third quarter of 2022 and interest expense on leases included in the acquisition of GrowTEC on July 13, 2022.

*Other income (expense) - net*

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Insurance proceeds	793	-	100	2,465	-	100
Contingent consideration gain (loss)	(90)	1,500	(106)	(90)	633	(114)
Equity-accounted loss	(60)	-	100	(60)	-	100
Other	179	199	(10)	300	164	83
<b>Total</b>	<b>822</b>	<b>1,699</b>	<b>(52)</b>	<b>2,615</b>	<b>797</b>	<b>228</b>

During the three and nine months ended September 30, 2022, other income (expense) - net includes the recognition of \$793 and \$2,465, respectively, of insurance proceeds relating to lost revenues and additional flood-related expenditures incurred as a result of the nearly 100-year flooding events which occurred in the Abbotsford and Sumas Prairie regions during late-2021. Further proceeds are expected throughout the remainder of 2022, which will be recorded to Other income to the extent they offset lost revenues and expenses incurred, or alternatively, will be netted against capital expenditures previously incurred.

A contingent consideration loss of \$90 was recognized during the three and nine months ended September 30, 2022, as a result of the accretion of a liability relating to amounts payable relating to the acquisition of GrowTEC, compared to the same periods in 2021, where EverGen recognized a \$633 contingent consideration gain in the re-measurement of a liability as at September 30, 2021, taking into account changes in estimated holdbacks, performance obligations and working capital changes consisting of a \$1,500 fair value gain in the third quarter of 2021 and an \$867 fair value loss in the second quarter of 2021 relating to the NZWA and SSS acquisitions.

During the three and nine months ended September 30, 2022, EverGen recognized a \$60 equity-accounted loss relating to its investment in Project Radius.

During the three and nine months ended September 30, 2022, EverGen also recognized \$179 and \$300 of other income, respectively, which primarily related to carbon credit sales.

### Income taxes

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Current tax expense (recovery)	-	(14)	(100)	4	(11)	(136)
Deferred tax expense (recovery)	329	499	(34)	(302)	(171)	77
<b>Total</b>	<b>329</b>	<b>485</b>	<b>(32)</b>	<b>(298)</b>	<b>(182)</b>	<b>64</b>

Income taxes consist of current and deferred income taxes.

During 2022, the Federal Government of Canada enacted a reduction in the corporate income tax rate for qualifying zero-emission technology manufacturers, which currently applies to FVB and GrowTEC. The decrease in the income tax expense for the three months ended September 30, 2022, and increase in income tax recovery for the nine months ended September 30, 2022, compared to same periods in the prior year, is primarily due to the decrease in corporate tax rates for FVB.

### EBITDA and Adjusted EBITDA <sup>(1)</sup>

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Net income (loss)	(1,819)	493	(469)	(2,584)	(840)	208
Tax expense (recovery)	329	485	(32)	(298)	(182)	64
Depreciation and amortization	827	763	8	2,317	2,027	14
Finance costs, net	177	113	57	406	343	18
<b>EBITDA <sup>(1)</sup></b>	<b>(486)</b>	<b>1,854</b>	<b>(126)</b>	<b>(159)</b>	<b>1,348</b>	<b>(112)</b>
Share-based payment expense	260	437	(41)	312	1,182	(74)
Loss on sale of equipment	5	-	100	45	-	100
Non-recurring general and administrative expenses and other	778	-	100	1,415	960	47
Contingent consideration loss (gain)	90	(1,500)	(106)	90	(633)	(114)
Non-recurring general and administrative expenses and other related to equity-accounted investment	39	-	100	39	-	100
Adjusted EBITDA attributable to non-controlling interest	(36)	-	100	(36)	-	100
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>650</b>	<b>791</b>	<b>(18)</b>	<b>1,706</b>	<b>2,857</b>	<b>(40)</b>

<sup>(1)</sup> Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net 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.

EverGen's EBITDA of (\$486) for the three months ended September 30, 2022, decreased compared to \$1,854 during the same period last year, primarily due to an increase in flood-related expenditures and

general and administrative expenses supporting the growth of the Company, as described above, and the contingent consideration gain recognized during the three months ended September 30, 2021, partially offset by the recognition of insurance proceeds during the three months ended September 30, 2022.

EverGen's Adjusted EBITDA of \$650 for the three months ended September 30, 2022, decreased slightly compared to \$791 during the same period last year, primarily due to the decrease in EBITDA, as described above, adjusted for the contingent consideration gain recognized during the three months ended September 30, 2021.

EverGen's EBITDA of (\$159) for the nine months ended September 30, 2022, decreased compared to \$1,348 during the same period last year, primarily due to a decrease in revenues and an increase in flood-related expenditures and general and administrative expenses supporting the growth of the Company, as described above, and the contingent consideration gain recognized during the nine months ended September 30, 2021, partially offset by the recognition of insurance proceeds during the nine months ended September 30, 2022 and a decrease in share-based compensation expenses.

EverGen's Adjusted EBITDA of \$1,706 for the nine months ended September 30, 2022, decreased compared to \$2,857 during the same period last year, primarily due to a decrease in revenues and an increase in flood-related expenses and general and administrative expenses supporting the growth of the Company, as described above, partially offset by the recognition of insurance proceeds during the nine months ended September 30, 2022.

## CAPITAL EXPENDITURES

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Capital expenditures – property plant and equipment	1,492	318	369	4,196	586	616
Capital expenditures – acquisitions and investments	2,054	-	100	3,054	10,690	(71)
<b>Total</b>	<b>3,546</b>	<b>318</b>	<b>1,015</b>	<b>7,250</b>	<b>11,276</b>	<b>(36)</b>

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

Capital expenditures – property plant and equipment during the three and nine months ended September 30, 2022, related primarily to the Company's core RNG expansion projects at FVB and NZWA, as well as capital improvements at NZWA.

Capital expenditures - acquisitions during the three months ended September 30, 2022, includes the Company's acquisition of a 67 percent interest in GrowTEC and during the nine months ended September 30, 2022 includes the Company's initial capital investment of \$1,000 in exchange for a 50 percent interest in Project Radius. Capital acquisitions for the nine months ended September 30, 2021 related to the Company's acquisition of FVB.

## SUPPLEMENTAL QUARTERLY INFORMATION

	2022				2021			2020
	Sep 30 Q3	June 30 Q2	Mar 31 Q1	Dec 31 Q4	Sep 30 Q3	June 30 Q2	Mar 31 Q1	Dec 31 Q4
<b>FINANCIAL</b>								
Revenue	1,957	2,359	1,427	2,693	1,937	3,349	1,585	-
Net income (loss) attributable to shareholders	(1,832)	(546)	(219)	(1,113)	493	(175)	(1,158)	(2,227)
Net income (loss) per share (\$), basic and diluted	(0.13)	(0.04)	(0.02)	(0.08)	0.04	(0.02)	(0.13)	(6.69)
EBITDA <sup>(1)</sup>	(486)	(154)	481	(512)	1,854	454	(960)	(2,515)
Adjusted EBITDA <sup>(1)</sup>	650	426	631	(18)	791	1,863	203	-
Capital expenditures – property, plant and equipment	1,492	1,349	1,355	1,004	318	122	146	-
Capital expenditures – acquisitions	2,054	1,000	-	-	-	10,690	-	24,498
Total assets	85,692	78,581	79,771	80,610	80,933	64,961	61,912	50,510
Total long-term liabilities	17,462	14,453	14,522	14,764	15,142	15,460	14,347	8,780
Working capital surplus (deficit) <sup>(1)</sup>	10,079	16,524	19,196	20,545	21,751	2,310	11,579	(2,842)
<b>COMMON SHARES (thousands)</b>								
Outstanding, end of period	13,872	13,307	13,367	13,367	13,367	10,287	9,589	8,203
Weighted average – basic	13,794	13,357	13,367	13,367	12,229	9,819	8,623	333
Weighted average – diluted	13,794	13,357	13,367	13,367	12,344	9,819	8,623	333
<b>OPERATING</b>								
Incoming organic feedstock (tonnes)	19,375	24,336	16,047	26,110	20,465	30,647	17,164	-
Organic compost and soil sales (yards)	8,219	13,778	5,400	5,119	12,532	37,053	7,087	-
RNG sales (gigajoules)	14,975	20,254	5,772 <sup>(2)</sup>	12,682 <sup>(2)</sup>	23,854	18,845	-	-
Electricity (MWh)	698	-	-	-	-	-	-	-

<sup>(1)</sup> Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.

<sup>(2)</sup> 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 2022, the regions where the Company's assets operate experienced periods of high precipitation and lower than average temperatures, followed immediately by low precipitation and higher than average temperatures. This impacted the demand for our compost and soil, and we have therefore seen a reduction in organic compost and soil sales during 2022.

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 feedstock. The Company has been consistently investing in its core RNG expansion projects from mid-2021.

## LIQUIDITY AND CAPITAL RESOURCES

	September 30, 2022	December 31, 2021	% Change
Cash and cash equivalents	12,841	19,597	(34)
Restricted cash	-	2,688	(100)
Working capital surplus <sup>(1)</sup>	10,079	20,545	(51)

<sup>(1)</sup> Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.

We consider our capital to consist of shareholders' equity, lease liabilities and total debt, net of working capital. 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 ratios are key measures of liquidity and the management of capital resources.

Primarily due to investment in property, plant and equipment relating to the Company's core RNG expansion projects at NZWA and FVB, capital improvements at NZWA, EverGen's initial investment in Project Radius and the acquisition of GrowTEC on July 13, 2022, EverGen's cash and cash equivalents and working capital surplus decreased as at September 30, 2022, compared to December 31, 2021.

In August 2022, the Company announced that it had signed a term sheet for a \$31 million senior term loan, which, assuming the successful completion of the due diligence process, is sufficient to fund the Company's planned core RNG expansion projects when combined with the Company's existing liquidity.

### Share capital

The Company had the following outstanding common shares and equity instruments as at September 30, 2022 and December 31, 2021:

(thousands)	September 30, 2022	December 31, 2021	% Change
Common shares	13,872	13,367	4
Share warrants	2,682	2,682	-
Options	142	172	(17)
Performance share units	430	600	(28)
Restricted share units	168	120	40
Deferred share units	28	28	-
<b>Total outstanding securities</b>	<b>17,322</b>	<b>16,969</b>	<b>2</b>

A description of EverGen's equity instruments can be found in note 14 to the consolidated financial statements for the year ended December 31, 2021.

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

(thousands)	
Common shares	13,855
Share warrants	2,682
Options	142
Performance share units	430
Restricted share units	208
Deferred share units	28
<b>Total outstanding securities</b>	<b>17,345</b>

On June 8, 2022, EverGen announced the approval of a Normal Course Issuer Bid ("NCIB") which allows EverGen to purchase issued and outstanding shares of the Company through the facilities of the TSXV during a 12-month period. Under the NCIB, EverGen may acquire up to an aggregate of 668,370 common shares over the 12-month period, representing approximately 5% of the 13,367,392 issued and outstanding common shares as of June 8, 2022. Shareholders can obtain a copy of the Notice of Intention

to make a NCIB, without charge, by contacting EverGen. As of the date of this MD&A the Company had repurchased the following common shares under the NCIB:

	Common shares (thousands)	Weighted average price per share \$	Total \$
June 2022	60	3.63	218
July 2022	26	2.88	75
August 2022	10	2.97	30
September 2022	4	2.94	12
October 2022	11	2.07	22
November 2022	6	2.07	13
<b>Total</b>	<b>117</b>	<b>3.16</b>	<b>370</b>

### Use of proceeds

On August 4, 2021, EverGen completed an initial public offering. As at September 30, 2022, the Company has 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 September 30, 2022	% Change
Project development, construction and expansion	10,750	3,917	(64)
Further development and acquisition activities	6,569	3,054	(54)
<b>Total</b>	<b>17,319</b>	<b>6,971</b>	<b>(60)</b>

The Company intends to use the remaining proceeds to partially fund its core RNG expansion projects and apply to future accretive projects.

### Summary of Cash Flows

	Nine months ended		%
	September 30, 2022	September 30, 2021	Change
Net operating cash flow	(504)	(1,044)	(52)
Net investing cash flow	(7,493)	(14,451)	(48)
Net financing cash flow	(1,447)	34,019	(104)
<b>Total</b>	<b>(9,444)</b>	<b>18,524</b>	<b>(151)</b>

The decrease in the Company's net operating cash outflows for the nine months ended September 30, 2022, compared to the same period last year, was primarily as a result of insurance proceeds received relating to lost revenues and additional flood-related costs incurred at FVB and NZWA, partially offset by a decrease in revenues and an increase in flood related expenditures, as described above. The Company generates sufficient amounts of cash and cash equivalents from operating activities to maintain its current level of operations.

Cash used in investing activities for the nine months ended September 30, 2022, relates to property, plant and equipment expenditures relating to the Company's core RNG expansion projects at NZWA and FVB and capital improvements at NZWA. Pursuant to its core RNG expansion projects at both its NZWA and FVB facilities, which upon completion are intended to significantly increase EverGen's RNG production, the Company is in the process of purchasing capital assets. In addition, during the nine months ended September 30, 2022, EverGen made an initial capital investment of \$1,000 in exchange for a 50 percent

interest in Project Radius and completed the acquisition of a 67% interest in GrowTEC for initial cash consideration of \$2,054.

Cash used in investing activities for the nine months ended September 30, 2021, relates primarily to the acquisition of the FVB facility and contingent consideration payments made pursuant to the NZWA and SSS share purchase agreements.

Cash provided by financing activities during the nine months ended September 30, 2022, decreased compared to same period last year, primarily as a result of the drawdown of a credit facility for a senior secured term loan of \$7,000, proceeds from private placements and the initial public offering of the Company's common shares and Special Warrant Financing during the nine months ended September 30, 2021.

## **RISKS AND UNCERTAINTIES**

Risk is inherent in all business activities and cannot be entirely eliminated. EverGen's business and financial performance, which includes our results of operations and cash flows, are impacted by a number of risks. For full details on the risks and uncertainties affecting EverGen, please refer to the Company's AIF dated January 31, 2022 (see section entitled "Risk Factors"), which is available on SEDAR at [www.sedar.com](http://www.sedar.com). 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.

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

## **ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS**

The Company's accounting policies are included in Note 3 to the Company's financial statements for the year ended December 31, 2021. The Company did not adopt any new material accounting policies in the current period and there are no new or amended accounting standards or interpretations issued during the three and nine months ended September 30, 2022, that are expected to have a material impact on the Company's financial statements.

## **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

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

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, 2021. There have been no significant changes to the Company's critical accounting estimates, judgments and assumptions during the three and nine months ended September 30, 2022.

## MANAGEMENTS REPORT ON INTERNAL CONTROLS

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

We have designed disclosure controls and procedures, 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.

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 three and nine months ended September 30, 2022, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## RELATED PARTY TRANSACTIONS

### Key management compensation

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

	Three months ended			Nine months ended		
	Sep 30, 2022	Sep 30, 2021	% Change	Sep 30, 2022	Sep 30, 2021	% Change
Salaries and benefits	106	241	(56)	360	610	(41)
Share-based payment expense	242	367	(34)	240	1,109	(78)
<b>Total</b>	<b>348</b>	<b>608</b>	<b>(43)</b>	<b>600</b>	<b>1,719</b>	<b>(65)</b>

## OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

## FINANCIAL INSTRUMENTS

As at September 30, 2022, the Company's financial instruments consists of cash and cash equivalents, accounts receivable, carbon emission credits, accounts payable, contingent consideration, lease liabilities and loans. There have been no significant developments, including the associated risks, in the Company's financial instruments as included in the Company's consolidated financial statements as at and for the year ended December 31, 2021.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable 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). 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). There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and nine months ended September 30, 2022.

## NON-GAAP MEASUREMENTS

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

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

### *EBITDA and Adjusted EBITDA*

Management considers EBITDA, adjusted EBITDA and operating profit key metrics in analyzing operational performance and the Company's ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense, unusual or non-recurring items and non-controlling interests in adjusted EBITDA. A reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA to the applicable IFRS measure can be found under the Results of Operations section of this MD&A.

### *Working capital*

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

(thousands)	September 30, 2022	December 31, 2021	% Change
Current assets	15,430	25,019	(38)
Current liabilities	(5,351)	(4,474)	20
<b>Working capital surplus</b>	<b>10,079</b>	<b>20,545</b>	<b>(51)</b>

## 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 recovery of unrecognized insurance proceeds;
- The ability of EverGen to meet its future anticipated obligations incurred from normal ongoing operations;
- The successful completion of the due diligence process for the \$31 million debt facility will and that funds received will be sufficient to fund the core RNG expansion projects; and
- That EverGen generates sufficient amounts of cash and cash equivalents from operating activities to maintain the current level of operations.

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

Although 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 January 31, 2022, 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.