



# Green Impact Partners

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended September 30, 2022 and 2021

November 23, 2022



## MANAGEMENT DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2022 and 2021 is prepared as of November 23, 2022 and provides information concerning the financial condition and results of operations of Green Impact Partners Inc. ("GIP" or the "Company"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2022 and 2021 and the Company's unaudited consolidated financial statements as at and for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements and additional information relating to GIP are available on SEDAR at [www.sedar.com](http://www.sedar.com). The comparative figures represent the financial position and the results from operations of the Clean Energy Assets as at and for the year ended December 31, 2020, as defined and described in Note 2 of the Company's consolidated financial statements. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "GIP".*

Unless otherwise indicated, all dollar amounts presented herein are in thousands of Canadian dollars.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Certain information and statements contained in this MD&A constitute forward-looking statements, including: the Company's plans, prospects and opportunities expectations regarding future revenue, EBITDA and generation of free cash flow; the anticipated production, performance, capital expenditures and methods of operations in relation to the Company's projects; the expected timing of project construction, milestones and operations; the timing of regulatory approval in respect of Carbon Intensity ("CI") certifications of the GreenGas Colorado Project; the expected capital structure and organization of Future Energy Park; the costs associated with the Company's projects and funding of such costs, including the potential divestiture of a minority interest in one or more of the Company's projects, the anticipated costs associated with capital spending, expectations for the Company's future operations, including the generation of free cash flow and increases in share-based compensation; expectations in respect of Investment Tax Credits ("ITC") and the potential benefits thereof to the Company; anticipated developments in respect of Clean Fuel Regulation ("CFR") and the potential benefits on the value of the Company's portfolio; expectations concerning the nature and timing of additional growth opportunities and the benefits thereof; additional partnership opportunities involving the Company's New Zealand-based energy company; expectations respecting competitive position; anticipated supply and demand for the Company's products and services; expectations concerning the financing of future business activities; the expected benefits of entering into financial hedging contracts; anticipated acquisitions and divestitures; the anticipated carbon impacts associated with the Company's projects and statements as to future economic and operating conditions. Readers should review the cautionary statement respecting forward-looking statements that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and



are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements.

These factors are set forth under “Risks and Uncertainties” in the annual MD&A for the year ended December 31, 2021, which can be found under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Forward-looking information concerning the nature and timing of growth is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of the Company, including sources of historic growth opportunities, in addition to our ability to successfully complete our projects and negotiate contracts, expectations relating to future economic, regulatory and operating conditions and adequate access to funding for our projects and ongoing operations. Forward-looking statements concerning the current and future competitive position of the Company’s business and partnership relationships is based upon the current competitive environment in which the Company operates, management expectations relating to future economic and operating conditions, current and announced build programs, and the expansion plans of other organizations. Forward-looking statements concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied, prospects for obtaining potentially new financing sources, and expectations relating to future economic and operating conditions, including interest rates, supply chains, global supply and demand, energy and commodity prices. Forward-looking statements concerning future economic and operating conditions is based upon historical economic and operating conditions, as well as opinions of third-party analysts reflecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking statements set out in this MD&A.

All the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **BUSINESS OVERVIEW**

### **Our Business**

GIP is a clean energy company publicly traded on the TSX Venture Exchange. GIP’s purpose is to create a more sustainable and inclusive planet by developing clean energy. GIP acquires, develops, and builds renewable natural gas (“RNG”) and clean bio-energy projects with the intention of building, owning and operating a portfolio of producing facilities, and participates in a wide range of zero-carbon opportunities during any stage of the project lifecycle – from idea generation through to operations. GIP has a growing portfolio of RNG and clean bio-energy projects under development, representing approximately \$3 billion in anticipated capital expenditures. GIP is a leading developer of the cleanest transition energy and is well positioned to be a leading producer of decarbonizing energy in North America. In addition to its core focus, GIP has a current portfolio of seven water and solids treatment and recycling facilities in Canada and a solids recycling business in the United States (“Water and Solids Treatment and Recycling”).



The Company reports operating results for the following reportable segments:

- **Water and Solids Treatment and Recycling** – The Water and Solids Treatment and Recycling segment is currently comprised of operational and cash flowing assets in Canada and the United States that provide services to safely recycle and/or dispose of water and solids waste from third party operations as well as optimizing and marketing the associated by-products.
- **Clean Energy Production** – The Clean Energy Production segment includes both under construction development and pre-development clean energy projects located in Canada and the United States. The current portfolio of clean energy projects within this operating segment includes RNG, biofuel and hydrogen distribution. The clean energy projects within the Clean Energy Production segment are not yet operational and as such, have no associated revenue.

## Operations

The Water and Solids Treatment and Recycling facilities operate under a fee-for-service basis. Each of these facilities provides water and waste treatment and recycling services to multiple customers, including a mix of municipalities, governments, utilities, infrastructure, industrial, mining and energy companies in North America, depending upon the activities within the geographic region. The services are provided through area dedication agreements and state contracts, rather than volume-based commitments. Revenue and gross margin are also derived through optimizing and selling by-products associated with the waste products that are processed by the Company's facilities.

## Project Construction and Development Updates

### ***GreenGas Colorado***

The Company is nearing the completion of its RNG project located in Weld County, Colorado in the United States (the "GreenGas Colorado Project"). The GreenGas Colorado Project commenced construction in the summer of 2021 and is progressing on schedule and on budget. It is being constructed on two farms in close proximity and is expected to generate greater than 360,000 million British thermal units ("MMBtu") per annum of RNG. The Company has feedstock agreements in place securing the long-term supply of organic waste. Commissioning activities are underway with first gas expected in early 2023. For the balance of 2023, to allow for a period of ramp up to full capacity, the GreenGas Colorado Project is expected to generate 180,000 MMBtu of RNG, which is about 50% of run-rate production. Based on average pricing for 2022, this is estimated to result in approximately \$8 million of total EBITDA<sup>1</sup> for 2023. In addition, post commissioning, the GreenGas Colorado Project will be required to meet certain CI certifications to monetize the environmental attributes both under the California Low Carbon Fuel Standard ("LCFS") as well as the federal Renewable Identification Number ("RIN") program. As a result of this certification process, cash from the environmental credits will not be received until certification is completed in late 2023.

The GreenGas Colorado Project has been constructed under a fixed-price Engineering, Procurement and Construction ("EPC") contract. The total estimated capital cost, including soft costs and fees associated with debt financing, is approximately \$96.3 million (US \$70.6 million). In December 2021, the GreenGas Colorado Project closed its non-recourse project debt financing for \$51.9 million (US \$37.9 million) (the "Debt Facility"). The Debt Facility includes a construction facility which converts to a traditional term loan facility after the completion of construction. The construction facility bears interest at prime + 2.75%. The term loan facility amortizes fully over six years. In 2022, the Company entered into a fixed-rate interest rate

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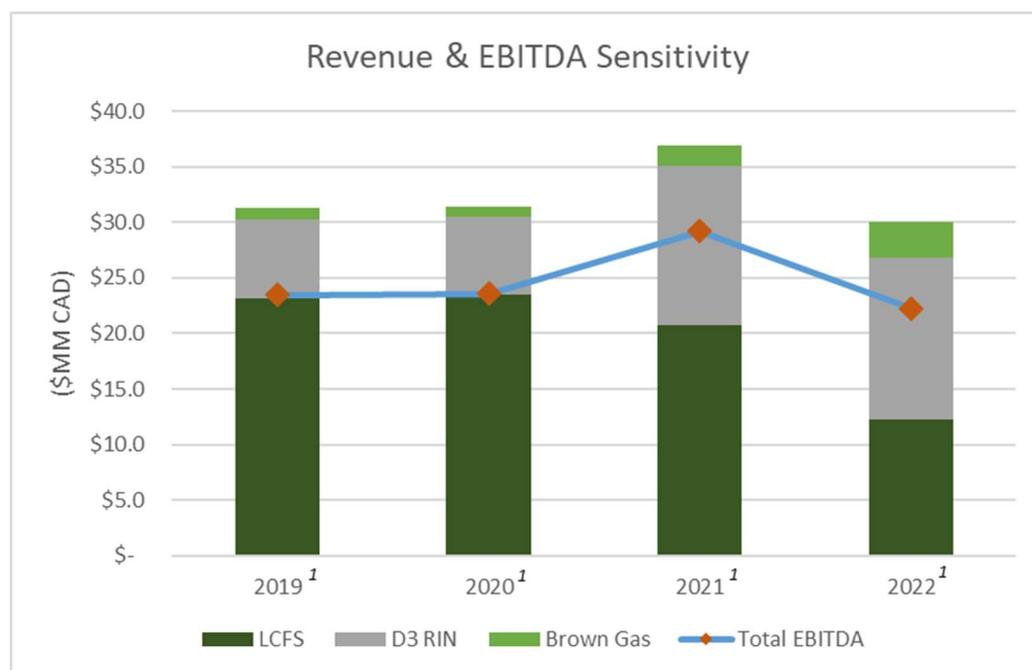
<sup>1</sup> This is a non-IFRS financial measure. See the "Summary of Non-IFRS Measures" section.



swap to fix the floating interest rate during the six-year term loan at 7.35%. As at September 30, 2022, \$75.6 million (US \$55.2 million) has been invested by GIP in the construction of this facility, leaving approximately \$21.3 million (US \$15.6 million) left to spend to complete the project. The remaining capital costs will be funded through the remaining availability under the Debt Facility of \$15.8 million (US \$11.5 million), the Company’s cash on hand, and availability of funds under the Company’s corporate revolver.

The GreenGas Colorado Project has executed a 10-year offtake agreement with an A- rated counterparty to sell 100% of its RNG generation. The offtake agreement secures delivery of the GreenGas Colorado Project’s RNG into the LCFS and RIN markets. The Company’s production and associated revenue is based on merchant pricing in these markets, less certain charges under the offtake agreement, including transportation. LCFS and RIN market pricing is a key risk for the GreenGas Colorado Project.

The graph below illustrates the revenue and EBITDA that GIP would have realized for this project based on the expected generation capacity using the actual market pricing over the historical period, adjusted for charges under the offtake agreement, including transportation.



<sup>1</sup> The 2019, 2020 and 2021 periods demonstrate the revenue and EBITDA<sup>1</sup> that the GreenGas Colorado Project would have received based on the Company’s estimated RNG production of 360,000 MMBtu per annum and the annual historical average pricing for LCFS, RIN and brown gas. The 2022 period demonstrates the same based on the average historical pricing throughout 2022 (January to October) extrapolated for a full year. The chart is the Canadian dollar (“CAD”) equivalent based on an average United States dollar to CAD exchange rate of 1.37.

### Iowa RNG Project

The Company continues to advance the late-stage development of its RNG project located in Iowa (the “Iowa RNG Project”). The Iowa RNG Project is comprised of three dairies and is expected to generate approximately 350,000 MMBtu of RNG per annum. The Company is in the process of securing material permits and approvals, finalizing detailed design, and finalizing the EPC, offtake and interconnection agreements. The Company is currently targeting construction to start in early 2023 with completion anticipated in late 2024, subject to securing non-dilutive project-level equity and non-recourse project debt



financing. Capital costs are expected to be approximately \$100 million. The Iowa RNG Project is similar in scope to the GreenGas Colorado Project and is anticipated to deliver its RNG into U.S. LCFS and RIN markets. Based on average market pricing throughout 2022, the Iowa RNG project would generate approximately \$19 million in annual EBITDA.

### ***Future Energy Park***

In 2021, the Company entered into a partnership to develop a large-scale bio-fuel facility in Calgary, Alberta (“Future Energy Park”). Future Energy Park, once operational, is expected to have a lower carbon impact than all traditional renewable energy projects (wind, solar or hydro energy source) and will be the largest, negative carbon intensity RNG project in North America, with estimated production of over 3.5 million MMBtu per annum of RNG. Additionally, it is expected to produce, annually, over 300 million litres of cellulosic equivalent ethanol, approximately 235,000 tonnes of high-quality protein distillers grain, 1.5 million tonnes of carbon offset credits, and capture 400,000 tonnes of clean CO<sub>2</sub>.

Future Energy Park is projected to utilize approximately 800,000 tonnes of non-food grade wheat per annum that will be processed through a bioethanol fermentation process to generate ethanol. The by-product from the fermentation process will then be converted to RNG through an anaerobic digestion process. In addition, to support the facility’s power, steam and hot water requirements, Future Energy Park will also include a high efficiency combined heat and power facility with any excess power sold into the market. Carbon offset credits are generated throughout the entire facility process, in addition to other by-products including high-quality protein distillers grain and CO<sub>2</sub>.

The Company is finalizing its EPC contract with one of Canada’s largest EPC contractors, PCL Construction (“PCL”), with pricing expected to be fixed prior to the commencement of construction. Capital costs are expected to be approximately \$1.2 billion. Over the remainder of 2022 and into early 2023, the Company is focused on obtaining material permits and approvals to proceed to construction, finalizing remaining material agreements, including its long-term fixed-price RNG offtake agreement, and securing the necessary financing to proceed to construction. As previously disclosed, the Company intends to finance the project through a combination of project-level equity and non-recourse project debt financing. GIP is currently exploring strategic options to raise the equity for Future Energy Park, which may include divestiture of a minority interest in the project. Subject to the completion of these items, construction is anticipated to commence in 2023, with the facility expected to achieve commercial operations in 2025. Once fully operational, the Company anticipates Future Energy Park to generate annual EBITDA to the Company of over \$300 million, net of the carried interest as described below.

As at September 30, 2022, GIP has invested \$23 million in costs for the development of Future Energy Park. Future Energy Park is currently advancing development through its development corporation, Future Energy Development Corp. (“FEP Dev Corp.”). FEP Dev Corp. is owned by a partnership of Carbon Clean Energy Inc., PCL, and GIP. GIP currently holds a 35.71% interest in FEP Dev Corp. Upon completion of certain development milestones, prior to construction start, all the assets and liabilities of FEP Dev Corp. will be transferred to the operating entity, Future Energy Park Inc., in exchange for a carried interest in the net distributions of the project reflected through the issuance of a special class of shares. GIP will hold 100% of all other shares of Future Energy Park Inc., entitling the Company to 100% of the distributions less the carried interest to FEP Dev Corp.’s other partners.

### ***New Zealand Green Hydrogen***

In 2021, the Company closed on a \$2.8 million investment in a New Zealand-based energy company (“NZCo”) focused on developing a green hydrogen refuelling network across New Zealand servicing commercial and heavy transport customers. GIP’s investment, along with other partners, supports the construction of the first phase, which includes four hydrogen refuelling stations. The first phase is fully financed, however NZCo has experienced certain supply chain challenges. Commercial operations are now anticipated by year end 2023. GIP currently holds a 12% interest, with an option to increase its interest to



18% by investing an additional \$3.9 million in capital. This option is triggered once NZCo satisfies certain performance milestones. The investment also includes an additional opportunity to increase the Company's investment at a later date. As green hydrogen markets evolve in North America and globally, this initial investment is anticipated to result in additional opportunities to partner with NZCo on green hydrogen and other biofuel opportunities worldwide. Green hydrogen is produced from renewable energy sources, is carbon free, and aligns with GIP's strategic purpose.

### ***Additional Growth Opportunities***

Including the opportunities identified above, the Company has identified multiple projects representing approximately \$3 billion in clean energy initiatives in the development pipeline at various stages of development. In accordance with its strategy, management is focused in the near-term on the advancement of these projects and the growth and advancement to final investment decision on a number of other projects in its RNG pipeline. GIP has engaged J.P. Morgan and RBC Capital Markets as lead financial advisors to help accelerate the completion of its near-term RNG portfolio, including the Iowa RNG Project and Future Energy Park. Opportunities may include a non-dilutive strategic investment in any or all of the GreenGas Colorado Project, the Iowa RNG Project or Future Energy Park. A transaction is expected to provide the capital to complete these projects and advance the development of the Company's remaining portfolio, while still maintaining majority control and significant long-term cash flow accretion for GIP's shareholders.

### ***Policy Developments***

There have been recent developments in the renewable energy space that are expected to have a material impact on the Company's projects.

### **Investment Tax Credits:**

In August 2022, the Inflation Reduction Act of 2022 was passed by the U.S. House of Representatives to spur the expanded production of clean energy facilities and put the U.S. on a path to 40% emissions reduction by 2030. The legislation extends and improves the existing ITC for investments in infrastructure to produce clean fuels.

The ITC has been expanded to include qualified biogas projects such as the Company's organic waste RNG projects and provides for a refundable, transferable, tax credit that could amount to 30% of certain eligible construction costs with a potential 10% bonus credit for projects that meet domestic content requirements. The ITC applies to projects placed into service on or after January 1, 2023 and that have begun construction by the end of 2024.

The ITC is expected to provide a direct benefit to GIP's portfolio of U.S. development and construction assets, including a benefit of approximately US \$15 million for the GreenGas Colorado Project. Subject to the issuance of technical guidance from the Internal Revenue Service, the Company is anticipating monetizing this benefit through either transfers or other tax equity financing structures.

In Canada, the 2022 Fall Economic Statement issued earlier this month proposed to introduce an ITC equal to 30% of the capital cost of eligible equipment related to clean technologies. Further information is required to fully assess the impact, however, the Company expects the ITC to apply to a portion of the equipment for its Canadian projects, including Future Energy Park.

### **Clean Fuel Regulation:**

In Canada, the federal government has been developing a Clean Fuel Regulation ("CFR") that aims to reduce the CI of liquid fuels nationwide by 13% below 2016 levels by 2030. The CFR is a program focusing on driving investment and growth in Canada's fuel sector and will require fuel suppliers to lower the CI of their fuel year-to-year, which can be accomplished using compliance credits. This new regime, if



implemented as currently proposed, is expected to significantly increase the value of GIP's portfolio. In particular, the bio-fuels produced by Future Energy Park, including ethanol, RNG and carbon offsets, are expected to benefit directly from CFR providing incremental EBITDA beyond that which has been described in this MD&A. This benefit may also extend to GIP's other Canadian projects.

## FINANCIAL HIGHLIGHTS

<b>(\$000)</b> <b>As at and for the three months ended</b>	<b>September 30,</b> <b>2022</b>	<b>September 30,</b> <b>2021</b>	<b>\$ Change</b>
Revenue	55,347	35,395	19,952
Gross margin	1,034	1,689	(655)
Income (Loss) from operations	(1,435)	(1,230)	(205)
Net income (loss)	(223)	(602)	379
Comprehensive income (loss)	2,110	(257)	2,367
Funds from (used in) operations	(200)	628	(828)
Cash from (used in) operations	(2,580)	498	(3,078)
Purchase of property, plant and equipment	(11,888)	(11,625)	(263)
Total assets	224,075	162,200	61,875
Total liabilities	100,131	38,176	61,955

<b>(\$000)</b> <b>As at and for the nine months ended</b>	<b>September 30,</b> <b>2022</b>	<b>September 30,</b> <b>2021</b>	<b>\$ Change</b>
Revenue	169,019	90,249	78,770
Gross margin	4,292	4,843	(551)
Income (Loss) from operations	(3,852)	(1,887)	(1,965)
Net income (loss)	(4,237)	(3,607)	(630)
Comprehensive income (loss)	(1,033)	(3,171)	2,138
Funds from (used in) operations	260	1,955	(1,695)
Cash from (used in) operations	(2,105)	1,794	(3,899)
Purchase of property, plant and equipment	(46,029)	(15,134)	(30,895)
Total assets	224,075	162,200	61,875
Total liabilities	100,131	38,176	61,955

## RESULTS OF OPERATIONS

<b>(\$000)</b> <b>For the three months ended</b>	<b>September 30,</b> <b>2022</b>	<b>September 30,</b> <b>2021</b>	<b>\$ Change</b>
Revenue	55,347	35,395	19,952
Gross margin	1,034	1,689	(655)
Depreciation and amortization	1,266	1,860	(594)
Salaries and wages	474	525	(51)
Selling, general and administration	729	534	195
Finance costs	261	45	216
Share-based compensation	708	-	708
Unrealized (gain) loss on risk management contracts	(1,758)	-	(1,758)
Unrealized (gain) loss on foreign exchange	(10)	(21)	11
Realized (gain) loss on foreign exchange	10	23	(13)
Current income tax expense/(recovery)	32	-	32
Deferred income tax expense/(recovery)	(455)	(675)	220
Net income (loss)	(223)	(602)	379
Comprehensive income (loss)	(2,110)	(257)	(1,853)



<i>(\$000)</i> <i>For the nine months ended</i>	September 30, 2022	September 30, 2021	\$ Change
Revenue	169,019	90,249	78,770
Gross margin	4,292	4,843	(551)
Depreciation and amortization	4,186	4,021	165
Salaries and wages	1,299	1,464	(165)
Selling, general and administration	2,659	1,245	1,414
Finance costs	610	915	(305)
Share-based compensation	1,754	-	1,754
Unrealized (gain) loss on risk management contracts	(961)	-	(961)
Listing expense	-	2,523	(2,523)
Gain on debt forgiveness	-	(257)	257
Unrealized (gain) loss on foreign exchange	(9)	(21)	12
Realized (gain) loss on foreign exchange	18	23	(5)
Current income tax expense/(recovery)	65	-	65
Deferred income tax expense/(recovery)	(1,092)	(1,463)	371
Net income (loss)	(4,237)	(3,607)	(630)
Comprehensive income (loss)	(1,033)	(3,171)	2,138

## SUMMARY OF NON-IFRS MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net and comprehensive income or to cash from (used in) operating, investing, and financing activities determined in accordance with IFRS, as indicators of our performance. We use non-IFRS measures, including EBITDA and Adjusted EBITDA, to assist investors in determining our ability to generate income and cash provided by operating activities and to provide additional information on how these cash resources are used.

Below is a description and composition of each non-IFRS measure disclosed in this MD&A, together with: (i) the most directly comparable financial measure that is specified, defined and determined in accordance with IFRS to which each non-IFRS measure relates; (ii) an explanation of how each non-IFRS measure provides useful information to investors and the additional purposes for which management uses each non-IFRS measure; and (iii) a quantitative reconciliation of each non-IFRS measure to the most directly comparable IFRS financial measure.

**EBITDA** is defined as earnings before interest, taxes, depreciation, and amortization. EBITDA is a non-IFRS measure, calculated by adding back the impacts of income tax, finance costs, depreciation and amortization to net income (loss) for the period. Net income (loss) is the most directly comparable IFRS financial measure. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other issuers. Management believes EBITDA is an important performance metric that measures recurring cash flows before changes in non-cash working capital.

**Adjusted EBITDA** is defined as EBITDA adjusted for certain non-operating, non-recurring and non-cash items. Adjusted EBITDA is used by management to evaluate the earnings and performance of the Company before consideration of capital, financing and tax structures. Net income (loss) is the most directly comparable IFRS financial measure. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other issuers. Prior period



Adjusted EBITDA has been calculated and presented in accordance with the current period calculation and presentation.

Management believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure to enhance investors' understanding of the results generated by the Company's principal business activities prior to consideration of how those activities are financed, how the results are taxed, how the results are impacted by non-cash charges, and charges that are irregular in nature or not reflective of the Company's core operations. Management calculates these adjustments consistently from period to period. Adjusted EBITDA is used by management to determine the Company's ability to service debt and finance capital expenditures. Management believes that Adjusted EBITDA as a measure is indicative of how the fundamental business is performing.

<i>(\$000)</i> <i>For the three months ended</i>	September 30, 2022	September 30, 2021	\$ Change
Net income (loss)	(223)	(602)	379
Income tax recovery	(423)	(675)	252
Depreciation and amortization	1,266	1,860	(594)
Finance costs	261	45	216
Unrealized (gain) loss on risk management contracts	(1,758)	-	(1,758)
<b>EBITDA</b>	<b>(877)</b>	<b>628</b>	<b>(1,505)</b>
Share-based compensation	708	-	708
<b>Adjusted EBITDA</b>	<b>(169)</b>	<b>628</b>	<b>(797)</b>

<i>(\$000)</i> <i>For the nine months ended</i>	September 30, 2022	September 30, 2021	\$ Change
Net income (loss)	(4,237)	(3,607)	(630)
Income tax recovery	(1,027)	(1,463)	436
Depreciation and amortization	4,186	4,021	165
Finance costs	610	915	(305)
Unrealized (gain) loss on risk management contracts	(961)	-	(961)
<b>EBITDA</b>	<b>(1,429)</b>	<b>(134)</b>	<b>(1,295)</b>
Listing expense	-	2,523	(2,523)
Gain of debt forgiveness	-	(257)	257
Share-based compensation	1,754	-	1,754
<b>Adjusted EBITDA</b>	<b>325</b>	<b>2,132</b>	<b>(1,807)</b>

### Revenue & Gross Margin

Gross margin decreased by \$0.7 million and \$0.6 million, for the three and nine months ended September 30, 2022, respectively, as compared to the same periods in the prior year. This decline was experienced despite an increase in revenue for the three and nine months ended September 30, 2022 of \$20.0 million and \$78.8 million, respectively. The majority of the reason for the increase in revenue was due to rising prices of the underlying commodities being sold. However, given that most of the revenue is derived from buy/sell arrangements, the associated cost of sales increased by an equal amount. Other rising input costs and the covering of oversold inventory from the previous quarter contributed to lower gross margin percentages, which dropped to 1.9% from 4.8% for the three-month period and to 2.5% from 5.4% for the nine-month period. The inventory issue was rectified in a replacement of staff and additional management to oversee this aspect of the business. While these measures were undertaken in the prior quarter, both



July and August of 2022 were still impacted. However, in September and October 2022, the gross margins have increased to an average of \$0.6 million per month, which is more in line with a normalized run-rate level.

### **Salaries and Wages and Selling, General and Administration**

Salaries and wages and selling, general and administrative expenses include the following items: salaries and wages, rental costs, vehicle costs, insurance expenses, office costs, advertising and promotion, and professional and consulting fees.

Combined salaries and wages and selling, general and administrative expenses for the three and nine months ended September 30, 2022, increased by approximately \$0.1 million and \$1.2 million, respectively, compared to the same periods in 2021. The change for the three-month period ended September 30, 2022 was relatively small as compared to the same quarter of 2021. Consistent with previous quarters, the increase for the nine-month period was a direct result of GIP increasing its development team and running as a new stand-alone company in May 2021, compared to being a subsidiary of the divesting company for the same period in 2021. Consequently, the nine months ended September 30, 2022 (particularly the first six months) included additional costs associated with the new GIP executive and management staff, information technology, legal, insurance and consulting fees, while the three-month periods are more directly comparable from this perspective. As a result of planned growth to support execution on the Company's near-term projects, Salaries and Wages and Selling, General and Administrative expenses are expected to average approximately \$1.8 million per quarter.

### **Share-based Compensation**

Share-based compensation is a new expense item in 2022 as the first share-based awards (Share Units and Stock Options) were granted to staff and directors in December 2021. The first quarter of 2022 was the first full quarter of recognition of share-based compensation. The Company granted an additional 245,882 Share Units and 526,889 Stock Options halfway through the second quarter of 2022. These additional grants, and the recognition of a portion of the associated fair value of outstanding share-based awards, resulted in higher share-based compensation in the third quarter of 2022 relative to the first two quarters of 2022. Management expects share-based compensation to increase in future periods as additional instruments are granted to new and existing staff. The remaining fair value to be recognized over the life of the instruments currently outstanding as at September 30, 2022 is \$4.0 million.

### **Depreciation and Amortization**

Depreciation and amortization for the three and nine months ended September 30, 2022, decreased by \$0.6 million and increased by \$0.2 million, respectively, compared to the same periods in 2021. The decrease for the three-month period was a result of an abnormally high amount of depreciation recognized in the third quarter of 2021 related to an increase in the Company's asset retirement obligation ("ARO") asset estimates associated with a new liability incurred during the period. This liability was settled during the third quarter of 2021 and therefore the ARO asset was reduced through full recognition of this settlement through depreciation expense. The increase for the nine months ended September 30, 2022 related primarily to the incremental depreciation related to the property, plant and equipment acquired as part of the acquisition of the U.S. portion of the Water and Solids Treatment and Recycling business in May 2021 and the amortization of intangible assets recognized as part of the same transaction. The Company's assets under construction are not yet in operation and therefore depreciation related to these assets has not yet been recognized.



## Finance Costs

Finance costs for the three and nine months ended September 30, 2022, were comprised of a combination of interest on long-term debt, accretion expense on the asset retirement obligation liability and the amortization of deferred financing costs. The increase of \$0.2 million for the three-month period and the reduction of \$0.3 million for the nine-month period was a direct result of the levels of interest-bearing debt in the associated reporting periods. In May 2021, there was a reduction in debt of \$25.9 million reduction related to the Canadian Water and Solids Treatment and Recycling assets. This long-term debt was outstanding and accruing interest during the comparative period from January 1 to May 27, 2021. Debt levels were kept to a minimum for the remainder of 2021 and into early 2022, which is the reason for the increase in finance costs for the three months ended September 30, 2022 as compared to the same period of 2021. Overall average outstanding debt for the nine months ended September 30, 2022 was approximately \$11 million compared to \$14 million for the same period of 2021, which is the reason for the lower finance costs for the comparable periods.

## Unrealized Loss on Risk Management Contracts

The unrealized loss on risk management contracts is a new item for 2022 and relates to a fixed priced interest rate swap that was entered into by the Company during the second quarter of 2022. The swap has a notional amount of US \$37.9 million, a fixed rate of 7.35%, an effective date of June 30, 2023, and a termination date of June 30, 2029. The Company has not applied hedge accounting to account for this financial instrument and therefore the swap is marked to market each reporting period with any unrealized gains and losses being recognized in earnings or losses. The forward curve for interest rates increased during the third quarter of 2022 and consequently, the market-to-market changed from a liability in the second quarter 2022 to an asset in the third quarter of 2022 and resulted in a \$1.7 million unrealized gain being recognized for the three months ended September 30, 2022.

## SUMMARY OF QUARTERLY RESULTS

(\$000)	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Revenue	55,347	68,885	44,787	38,723
Adjusted EBITDA	(169)	(712)	1,206	1,418
Net income (loss)	(223)	(3,485)	(529)	2,965
<i>Net income (loss) per share-Basic</i>	<i>(0.01)</i>	<i>(0.17)</i>	<i>(0.03)</i>	<i>0.15</i>
<i>Net income (loss) per share-Diluted</i>	<i>(0.01)</i>	<i>(0.17)</i>	<i>(0.03)</i>	<i>0.15</i>

	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Revenue	35,395	27,066	27,788	23,912
Adjusted EBITDA	628	198	1,306	1,380
Net income (loss)	(602)	(2,824)	(181)	(102)
<i>Net income (loss) per share-Basic</i>	<i>(0.03)</i>	<i>(0.20)</i>	<i>(0.01)</i>	<i>(0.01)</i>
<i>Net income (loss) per share-Diluted</i>	<i>(0.03)</i>	<i>(0.20)</i>	<i>(0.01)</i>	<i>(0.01)</i>

The variation of Adjusted EBITDA over the trailing eight quarters is partially a result of the seasonality of the business. The Canadian Water and Solids Treatment and Recycling business is reliant on the industry activity that peaks, due to location and weather, in the fall and winter. Summer break-up which begins in early spring and lasts until late summer results in decreased activity because of road bans and poor operating conditions. Therefore, results in the second and third quarters of the fiscal year are generally lower than those realized in the first and fourth quarters. Net income and Adjusted EBITDA for the second



and third quarters of 2022 were abnormally low due to the factors as discussed above in the Results of Operations section of this MD&A.

## LIQUIDITY AND CAPITAL RESOURCES

The Company expects to generate sufficient cash flows from operations, in the short term and long term, to meet all organic growth initiatives and maintenance capital expenditures in connection with the Water and Solids Treatment and Recycling facilities. Due to the Company's focus on maintaining efficient operations, the Company expects to generate free cash flow from operations, net of maintenance capital expenditures, on an annual basis.

The Company intends to fund the remaining capital required for the GreenGas Colorado Project with existing cash on hand, free cash flow generated by existing operations, its corporate revolver, and additional capital in the form of non-recourse project level debt financing. At this time the Company does not anticipate the need to raise additional public equity proceeds. However, to continue the development of its portfolio of approximately \$3 billion in clean energy initiatives, the Company is exploring funding alternatives and may enter into strategic partnerships or divest of minority interests of certain assets in its portfolio.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company's cash needs are met with cash generated by operations and financing provided by short-term borrowings and long-term debt. The Company considers its current level of working capital, including undrawn available credit facilities, to be sufficient to meet its needs, including to satisfy payments on debt. GIP is required to maintain certain financial covenants associated with its corporate credit facility, which includes maintaining a debt to tangible net worth of less than 3.00:1.00 and an interest coverage ratio of greater than 3.00:1.00. At September 30, 2022, GIP was in compliance with all debt covenants.

The Company will also be subject to certain financial covenants on the GreenGas Debt Facility after term conversion from the Construction Facility to the term loan facility, which is expected to occur on June 30, 2023.

The Company manages its liquidity risk through the management of its capital structure and working capital, monitoring, and reviewing actual and forecasted cash flows to ensure available cash resources to meet the Company's liquidity needs. The Company's cash, cash equivalents and cash flow from operating activities are expected to be greater than anticipated near-term capital expenditures and the contractual maturities of the Company's financial liabilities.

<b>(\$000)</b> <b>For the three months ended</b>	<b>September 30,</b> <b>2022</b>	<b>September 30,</b> <b>2021</b>	<b>\$ Change</b>
Cash from (used in) operating activities	(2,580)	498	(3,078)
Cash from (used in) investing activities	(15,030)	(13,628)	(1,402)
Cash from (used in) financing activities	15,425	287	15,138
Impact of foreign currency translation on cash	260	256	4
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,925)</b>	<b>(12,587)</b>	<b>10,662</b>



(\$000) For the nine months ended	September 30, 2022	September 30, 2021	\$ Change
Cash from (used in) operating activities	(2,105)	1,794	(3,899)
Cash from (used in) investing activities	(48,529)	(16,777)	(31,752)
Cash from (used in) financing activities	47,893	41,877	6,016
Impact of foreign currency translation on cash	476	266	210
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,265)</b>	<b>27,160</b>	<b>(29,425)</b>

### Operating Activities

Cash from operating activities for the three and nine months ended September 30, 2022 decreased by \$3.0 million and \$3.9 million, respectively, from the three and nine months ended September 30, 2021, respectively. The decrease in cash from operating activities resulted from a decrease in Adjusted EBITDA of \$1.8 million for the nine months ended September 30, 2022 relative to the period in 2021, primarily due to the factors discussed above in “Business Overview – Market Trends”, coupled with a \$0.6 million promissory note granted in relation to a new RNG project opportunity in the U.S. and changes in working capital.

### Investing Activities

Cash used in investing activities for the three and nine months ended September 30, 2022 increased by \$1.4 million and \$31.8 million, respectively, over the corresponding periods in 2021. The additional use of cash resulted mainly from spending on the GreenGas Colorado Project, Future Energy Park and other early stage RNG projects. Capital additions were significantly lower for the three and nine months ended September 30, 2021, due to the fact that the Company had not yet initiated construction on the RNG projects that are now in development.

### Financing Activities

Cash from financing activities for the three and nine months ended September 30, 2022 increased by \$15.1 million and \$6.0 million, respectively, from the three and nine months ended September 30, 2021. This increase was primarily a result of the drawing of funds from the Company’s corporate credit facility and the GreenGas Colorado Project’s construction facility of an aggregate \$17.4 million and \$52.7 million for the three and nine months ended September 30, 2022, respectively. The Company also completed share repurchases in the aggregate amounts of \$1.8 million and \$5.6 million for the three and nine months ended September 30, 2022, respectively. For the same periods in 2021, the majority of the cash flow from financing activities resulted from the net proceeds from the equity private placement completed in May of 2021.

(\$000)	September 30, 2022	September 30, 2021	\$ Change
Current assets	24,783	42,767	(17,984)
Current liabilities <sup>1</sup>	(30,950)	(19,400)	(11,550)
<b>Working capital surplus (deficit)</b>	<b>(6,167)</b>	<b>23,367</b>	<b>(29,534)</b>

<sup>1</sup>The working capital above includes the current and demand portions of long-term debt of approximately \$1.7 million at September 30, 2022 (\$0.2 million as at September 30, 2021).



Despite the working capital deficit as at September 30, 2022, the Company has the ability to meet its obligations as they become due. \$7.9 million of current liabilities relate to liabilities associated with Future Energy Park that only become due and payable upon Final Notice to Proceed (“FNTP”). FNTP will not occur until adequate financing is in place to fund construction of the project and settle these liabilities. These have been classified as current liabilities as the Company has assessed that it is probable that financing will be secured and FNTP will occur within the next year. Excluding these liabilities, the Company is in a positive working capital position of \$1.7 million. As at September 30, 2022, there is an undrawn balance of \$8.1 million the corporate credit facility as well as cash flow from operations to cover obligations.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest:

	Total	< 1 Year	1-3 Years	4-5 Years	After 5 Years
AP and accrued liabilities	20,929	20,929	-	-	-
Other current liabilities	8,599	8,599	-	-	-
Long-term debt	66,406	1,134	42,959	16,227	6,086
Other long-term liabilities	2,149	-	2,149	-	-
Lease obligations	356	175	181	-	-
<b>Total financial liabilities</b>	<b>98,439</b>	<b>30,837</b>	<b>45,289</b>	<b>16,227</b>	<b>6,086</b>

### Capital Management and Resources

The Company’s objectives when managing capital are to: (i) ensure the Company has the financial capacity to execute on its strategy to increase market share through organic growth or strategic acquisitions; (ii) maintain financial flexibility in order to meet its financial commitments and maintain the confidence of shareholders, creditors and the market; and (iii) optimize the use of capital to provide an appropriate return on investment to shareholders.

The Company’s overall capital management strategy remained unchanged in the first nine months of 2022 when compared to prior periods. The Company has established criteria for sound financial management and manages the capital structure based on current economic conditions, risk characteristics of underlying assets and planned capital and liquidity requirements. Total capitalization is maintained or adjusted by drawing on existing credit facilities, issuing new debt and through the disposal of underperforming assets, when required. Management considers the Company’s current assets less current liabilities, long-term debt and shareholders’ equity as the components of capital to be managed.

	September 30, 2022	December 31, 2021
Current assets	24,783	23,560
Current liabilities	(30,950)	(21,252)
Long-term debt	55,559	136
Other long-term liabilities	1,867	9,288
Shareholders’ equity	110,085	114,944
	<b>161,344</b>	<b>126,676</b>

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s revenues come from a diverse customer base, which includes municipalities, governments, utilities, infrastructure, industrial, energy and mining industries in North America. The Company believes there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.



The Company is primarily exposed to credit risk from customers. The maximum exposure to credit risk is equal to the carrying value of the accounts receivable and note receivable. The Company's trade receivables are with customers in the industrial sector and are subject to industry credit risk. To reduce credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Additionally, the Company continuously reviews individual customer trade receivables taking into consideration payment history and aging of the trade receivables to monitor collectability. In accordance with IFRS 9 – Financial Instruments, the Company reviews impairment of its trade and accrued receivables at each reporting period and its allowance for expected future credit losses. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. Monitoring procedures are in place to ensure that follow up action is taken to recover overdue amounts. The Company reviews receivables on a regular basis to ensure that an adequate loss allowance is made. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers. The Company completes a detailed review of its historical credit losses as part of its impairment assessment.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements in the current or prior periods.

### CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's annual financial statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Company's consolidated financial statements have been set out in Note 5 of the annual consolidated financial statements.

### OUTSTANDING SHARE DATA

On November 23, 2022, the Company had the following common shares, stock options and share units outstanding:

Common shares	20,300,005
Stock options (vested and unvested)	925,820
Share units	597,132
	<b>21,822,957</b>