



## **ANAERGIA INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This management's discussion and analysis of financial condition and results of operations ("MD&A") for the three-month periods ended March 31, 2025 and 2024 is prepared as of May 13, 2025 and provides information concerning our financial condition and results of operations. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the three-month periods ended March 31, 2025 and 2024 (the "Q1 Interim Financial Statements") and the Company's audited annual consolidated financial statements for the years ended December 31, 2024 and 2023 (the "2024 Annual Financial Statements"), together with the related notes thereto. The financial information presented in this MD&A is derived from the Q1 Interim Financial Statements, which have been prepared in accordance with IFRS<sup>(R)</sup> Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").*

All amounts in this MD&A are in thousands of Canadian Dollars except where otherwise indicated. References to the "Company", "Anaergia", "we", "us" or "our" refer to Anaergia Inc. and its subsidiary entities, on a consolidated basis. References to "Q1 2025" are to our fiscal quarter for the three months ended March 31, 2025, and references to "Q1 2024" are to our fiscal quarter for the three months ended March 31, 2024. References to "Fiscal 2024" are to the fiscal year ending December 31, 2024, and references to "Fiscal 2023" are to the fiscal year ended December 31, 2023.

Additional information about the Company, including its annual information form for Fiscal 2024 (the "Annual Information Form") and management information circular for Fiscal 2024, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The Company's common shares ("Common Shares") are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ANRG."

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to future plans, expectations and intentions, results, levels of activity, performance, goals or achievements, other future events or developments and may include, without limitation, information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "would", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "likely", "potential", "typically", "continue", "seek", "aim", "pursue", or "future" or the negative or other variations of these words or other comparable words or phrases. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Forward-looking statements in this MD&A include, among other things, financial condition and results of operations; expectations regarding our revenue, expenses and operations; expectations regarding low upfront capital investments; expectations regarding industry trends, overall market growth rates and our growth strategy; expectations regarding improving margins, reducing expenses and conserving cash; statements regarding enhancing contractual requirements for margin protection and improving execution process and prudent cash management; expectations regarding our ability to grow the number and scope of operation and maintenance service ("O&M") contracts; expectations regarding leveraging technologies for value extraction; the expected financial performance of our build-own-operate ("BOO") assets; access to project-specific debt and equity for financing current and new BOO projects; access to debt financing from related and third-party sources; statements regarding the benefits of Investment Tax Credits ("ITC") and Low Carbon Fuel Standards ("LCFS"); expectation regarding our hedge relationships; estimates of Revenue Backlog; our business plans and growth strategies; statements regarding remediation efforts to address the material weakness; statements regarding access to a robust incremental pipeline of key Capital Sales projects; expectations regarding recognizing costs as additional impairment losses during 2025; our competitive position in our industry, including anticipated trends and challenges in our business and the markets in which we operate; and intentions with respect to the implementation of new accounting standards.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that we considered appropriate and reasonable as of the date such statements were made. It is also subject to known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described under "Risks and Uncertainties" in this MD&A, such as the risk of the Company to continue as a going concern. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities

regulatory authorities from time to time, including the Annual Information Form. Certain assumptions in respect of our growth outlook; our ability to refocus resources on our Capital Sales segment and rely on low upfront capital investments; our ability to sell certain assets to generate cash; our ability to meet our financing and liquidity requirements on a continuing basis; our ability to provide projected revenue and Adjusted EBITDA (as defined below); our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to improve margins, improve execution processes, and ensure prudent cash management; our ability to monitor the expected cash inflows on trade and other receivables with expected cash outflow of the same; our ability to meet the requirements under a consent agreement with the Rhode Island Department of Environmental Management (“**RIDEM**”); our ability to meet the requirements and covenants under the Rhode Island Bioenergy Facility LLC (“**RIBF**”) US\$20,000 term loan (the “**RIBF Loan**”); our ability to be in compliance with the terms and requirements of SoCal Organics Recycling Facility, LLC (“**SCORF**”); our ability to meet the requirements and covenants under the California Department of Resources Recycling and Recovery US\$10,000 term loan (the “**SCORF Loan**”); our ability to leverage technologies to increase sales and maximize value extraction; our ability to improve profitability of the existing business; our ability to attain profitability and positive cashflows; our ability to focus efforts on refining our existing technologies; our ability to maintain good relationships with our customers and suppliers; our ability to execute on our expansion plans; our ability to execute on additional acquisition opportunities; our ability to obtain or maintain existing financing on acceptable terms; our ability to remediate the material weakness and execute on our plan to add additional internal technical accounting specialist resources in the financial reporting process; our ability to continue as a going concern; the effects of changes in currency exchange and interest rates; the changes and trends in our industry or the global economy; our estimated contracted revenue and revenue from our BOO assets operating at full capacity during their useful lives; operations and maintenance cost estimates; capital costs remaining steady; the timely construction of facilities; the continuation of legislation and regulation favouring landfill diversion and environmental attributes for renewable natural gas (“**RNG**”); the anticipated monetary incentives for RNG to be provided by California’s LCFS and other initiatives; the expected incentivization for projects that use biogas or RNG as a result of LCFS; the benefits of the ITC; our hedge relationships being effective; our ability to recognize development fees and generate third-party Capital Sales and O&M contracts associated with future BOO projects; our ability to recognize costs as additional impairment losses during 2024; and our ability to realize the anticipated benefits of such are material factors underlying forward-looking information and management’s expectations.

The purpose of the forward-looking statements in this MD&A is to provide the reader with a description of management’s current expectations regarding the Company’s financial performance and may not be appropriate for other purposes. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only to opinions, estimates and assumptions as of the date made. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

## NON-GAAP MEASURES

This MD&A makes reference to certain non-GAAP measures. These non-GAAP measures are not recognized measures under IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these non-GAAP measures are provided as additional information to complement IFRS Accounting Standards measures by providing further understanding of our results of operations from management's perspective. Accordingly, these non-GAAP measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS Accounting Standards. We use non-GAAP measures, including "Adjusted EBITDA", "EBITDA", and "Revenue Backlog" to provide investors with supplemental measures. Management also uses non-GAAP measures internally in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future debt service, capital expenditure and working capital requirements. Management believes these non-GAAP measures are important supplemental measures of operating performance because they eliminate items that have less bearing on operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS Accounting Standards financial measures. Management believes such measures are useful as they allow for assessment of our operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

**"Adjusted EBITDA"** is defined as EBITDA adjusted for our normalized proportionate interest in our BOO assets and one-time or non-recurring items, stock-based compensation expense, asset impairment charges and write downs, losses related to equity-accounted investees, significant one-time provisions, foreign exchange gains or losses, restructuring and severance costs, Enterprise Resource Planning ("**ERP**") customization and configuration costs, litigation and other claims settlements, gains and losses resulting from changes in certain balance sheet valuations (such as derivatives and warrants) and acquisition costs.

**"EBITDA"** is defined as net income or loss before interest expenses, taxes and depreciation and amortization.

See "Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA" for a reconciliation of the foregoing non-GAAP measures to their most directly comparable measures calculated in accordance with IFRS Accounting Standards.

**"Revenue Backlog"** is defined as the balance of unrecognized, undiscounted, consolidated revenues from signed contracts in our Capital Sales and O&M/Services segments. For our Capital Sales contracts, we have modeled only projects that have been contracted. For our O&M/Services segment, while most of our in-hand contracts are 5-15 years in tenure, we have conservatively modeled for only 3 years of contracted revenue.

Anaergia "**technical reference projects**", our technology can be installed on a standalone basis at greenfield facilities or used to enhance existing waste infrastructure for solid waste collection at transfer stations and existing anaerobic digesters at wastewater treatment plants ("**WWTPs**"). We help WWTPs identify sources of organics feedstock and then work with them to upgrade or install new digestion capacity at the plant. Our "**technical reference projects**" are projects that we believe are representative of Anaergia's component-driven, technical framework that categorizes the standards and technologies provided by the Company over time.

## HIGHLIGHTS

- For Q1 2025, revenue decreased 0.4%, or \$93, to \$24,876 compared to Q1 2024 (Q1 2024: \$24,969). The decrease was driven mainly due to lower sales in Italy and Asia Pacific, partially offset by increased sales in North America.
- For Q1 2025, gross profit of \$5,403 decreased 16.6%, or \$1,077 compared to Q1 2024 (Q1 2024: \$6,480). The quarter's decrease was mainly driven by reduced gross profit in BOOs, partially offset by increased gross profit in Capital Sales.
- For Q1 2025, the net loss of \$5,897 decreased 48.6%, or \$5,584, compared to Q1 2024 (Q1 2024: \$11,481). The decrease is mainly due to increased government grant income recognized during the quarter partially offset by a specific reserve against an accounts receivable balance.
- For Q1 2025, Adjusted EBITDA\* loss decreased 34.5%, or \$2,079, to a loss of \$3,940 compared to Q1 2024 (Q1 2024: \$6,019). The decrease was primarily driven by decreases in net loss as well as addbacks of RIBF income tax credit transaction costs in the first quarter of fiscal year 2024 that did not recur in the current period

- On December 18, 2023, we announced a \$40,800 equity investment by Marny Investissement SA (“**Marny**”) by way of an arm’s-length, multi-tranche, non-brokered private placement (the “**Strategic Investment**”), pursuant to a subscription agreement dated December 17, 2023 as amended on December 29, 2023, February 2, 2024 and April 1, 2024 (the “**Subscription Agreement**”). Marny, through a wholly owned subsidiary, Marny Holdco, Inc. (“**Marny Holdco**”), agreed to subscribe for an aggregate of 102,000,000 units of the Company (“**Units**”) at a price of \$0.40 per Unit with each Unit consisting of one Common Share and 1/5 of one Common Share purchase warrant of Anaergia (each a “**Warrant**”). Each Warrant entitles Marny Holdco to purchase one additional Common Share at an exercise price of \$0.80 until February 2, 2027. The Unit subscription price of \$0.40 represented a 57% premium to the 10-day volume weighted average price of the Common Shares on the TSX as of December 15, 2023. Pursuant to the Subscription Agreement, Marny Holdco was provided with the right, in its sole discretion, to allocate an aggregate of 10,200,000 of the Common Shares for which it has subscribed to certain individual investors, and any such investors is required to grant an irrevocable proxy to Marny Holdco in respect of the voting rights for such Common Shares. As of July 10, 2024, Marny completed all three tranches of the Strategic Investment with the issuance of 102,000,000 Units for aggregate gross proceeds of approximately \$40,800.

*Financial Highlights (in thousands, except per share data)*

	For the Three Months Ended March 31,	
	2025	2024
<b>Revenue</b>	24,876	24,969
Cost of sales	19,473	18,489
<b>Gross profit</b>	5,403	6,480
<b>Loss from operations</b>	(5,670)	(10,210)
<b>Net loss</b>	(5,897)	(11,481)
<b>Net loss per share</b>	(0.02)	(0.09)
<b>Weighted average # of shares</b>	169,839,016	85,208,288
<b>EBITDA*</b>	(5,287)	(9,277)
<b>Adjusted EBITDA*</b>	(3,940)	(6,019)

\* See “Non-GAAP Measures”

## BUSINESS OVERVIEW

### Our Business

Anaergia is a pioneering technology company in the renewable natural gas sector, with over 250 patents dedicated to converting organic waste into sustainable solutions such as RNG, fertilizer, and water. We are committed to addressing a significant source of greenhouse gases (“**GHG**”) through cost-effective processes. Our proprietary technologies, combined with our engineering expertise and vast experience in facility design, construction, and operation, position Anaergia as a leader in the RNG industry. With a proven track record of delivering hundreds of innovative projects over the past decade, we are well-equipped to tackle today’s critical resource recovery challenges through diverse project delivery methods. As one of the few companies worldwide offering an integrated portfolio of end-to-end solutions, we effectively combine solid waste processing, wastewater treatment, organics recovery, high-efficiency anaerobic digestion, and biomethane production. Additionally, we operate RNG facilities owned by both third parties and Anaergia. This comprehensive approach not only reduces environmental impact but also significantly lowers costs associated with waste and wastewater treatment while mitigating GHG emissions.

Formed in 2007, Anaergia was built on the foundations of acquired companies specializing in processing and treating organic waste. Continued investments in innovation and execution capabilities allow us to deliver facilities that divert waste, reduce life cycle costs, create new revenue streams and maximize renewable energy output.

Our business model involves the development of technologies and services used to design, build, own, operate and finance projects that process organic waste into valuable resources. We focus on the three largest sub-sectors of this market, principally solid waste, wastewater and agriculture, as these account for the largest reliable sources of waste creation and benefit from significant existing infrastructure.

Anaergia has a proprietary portfolio of end-to-end solutions that integrates solid waste processing as well as wastewater treatment with organics recovery, high-efficiency anaerobic digestion (“**AD**”), RNG production and recovery of fertilizer and water from organic residuals. The combination of these technologies enhances carbon-negative biogas, clean water and natural fertilizer production, utilizes a minimized footprint and lowers waste and wastewater treatment costs and GHG emissions.

Anaergia is headquartered in Burlington, Ontario, Canada and has operations in North America, Europe, Asia, and Africa. Since 2010, the Company’s technologies have been deployed at over 235 resource recovery facilities in over 18 countries worldwide.

## **Business Segments**

We report our operating results in the following three reportable segments:

1. *Capital Sales.* Our Capital Sales segment consists of technology packaged solutions and services to third-party customers, predominantly municipalities and project developers, and includes engineering services, proprietary product sales, engineering procurement and construction contracts, or a combination thereof.
2. *O&M Services.* Our O&M Services segment offers third-party O&M and field service contracts, generally 5-15 years in length, with customers that typically include municipalities and project developers that utilize our technology solutions.
3. *BOO.* Our BOO segment has been building, owning, and operating greenfield or brownfield facilities that are expected to generate higher-margin revenues and long-term and more predictable cash flows. This segment capitalizes on our ability to acquire and retrofit existing infrastructure and bypass lengthy permitting processes. Starting 2024, we have followed a capital-light model for this segment where we do not aim to own the majority equity interest in any new assets. In addition to recognizing some revenues directly from BOO operations in the future, alongside potential financial partners, we intend to recognize development fees and generate third-party Capital Sales and O&M contracts associated with each future BOO project.

## **Geographical Operations**

Globally, there are over two billion tons of waste sent to landfills each year (according to the Landfill Methane Outreach Program Landfill and Project database), creating significant GHG emissions as organic materials decompose. A growing global awareness about landfill constraints and increased focus on mitigating climate change are driving governments and municipalities to adopt organics diversion regulations around the globe. Anaergia targets markets that benefit from supportive regulatory regimes and readily available feedstock supplies and that provide the ability to utilize existing infrastructure. With our set of integrated resource recovery solutions and flexible delivery models, Anaergia is positioned to capitalize on this global opportunity. The Company’s global presence consists of nine office locations and two manufacturing facilities that have helped deploy our technologies at resource recovery facilities worldwide.

The Company’s core markets and revenue sources are in North America, Europe, and Asia Pacific where we take advantage of the opportunity created by regulations that drive organics diversion and encourage the use of AD to process organic waste and produce RNG. In other markets, Anaergia sells integrated solutions to waste management companies where BOO assets are typically less attractive.

We report our operating results in the following three geographical areas:

1. *North America.* In North America, our core market is in California, where we have fifteen projects that serve as technical reference projects.
2. *Europe, Middle East and Africa (“EMEA”).* In the EMEA region, we have focused on the Italian market due to its strong regulatory support and robust natural gas infrastructure. Outside of Italy, we are focused on the United Kingdom, Germany, Spain, Portugal, Netherlands, and South Africa.
3. *Asia Pacific (“APAC”).* In the APAC region, we have focused on the mature markets of Singapore, Japan, Australia, and Korea, as well as explore other countries' potential. Our APAC headquarters in Singapore is currently executing projects in China, Taiwan, Singapore, South Korea, and Japan and has a robust incremental pipeline of key Capital Sales projects in the APAC region.

## **Strategy**

Anaergia is driven to innovate. Our strategic vision is clear: to provide complete, integrated resource recovery solutions globally. Underpinned by a robust market, and regulatory and environmental tailwinds, Anaergia is uniquely positioned to benefit from the growing demand for sustainable waste solutions. The Company's products and services respond to regulatory and customer demand for sustainable waste management services that are superior to landfills and composting while providing carbon negative fuel, thereby reducing GHG emissions. Anaergia is focused on providing cost effective and sustainable solutions that leverage our experience with project development, execution and our network of owned infrastructure. Key elements of our growth strategy are set out below.

### ***Shift to a Capital-Light Business Model***

For all new BOO opportunities in the development pipeline, we plan to develop future projects with a financial partner(s) who will fund all or the majority of the capital in the projects. Anaergia intends to recognize "Revenue" and "EBITDA" from a development fee, Capital Sale and long-term O&M contract with each future BOO opportunity. With this approach, Anaergia expects to reduce the capital burden and leverage its development, technical and operational skills to improve short-term cashflow.

### ***Meet Market Demand for Cost-Effective, Sustainable Solutions Using our Proven Technologies***

Anaergia has taken a proactive approach to improving its impact on the environment. We believe that addressing climate change will remain a global objective for government, institutions and commercial organizations. Through our products and services and our owned infrastructure, we optimize the diversion of organic waste from landfills and use the output to generate renewable energy and fertilizers, thereby reducing GHG emissions and the cost of waste management. We plan to continue to focus on providing sustainable solutions that will address the growing demand for products and services that create environmental benefits for our customers and communities.

### ***Focus on Performance***

Anaergia is focusing its efforts on improving margins, reducing expenses, and conserving cash. We are taking actions to enhance contractual requirements to de-risk margin erosion, improve execution processes, and ensure prudent cash management, including SG&A. Anaergia plans to continue leveraging its proven technologies to increase sales and optimize value extraction.

### ***Increase Services Revenue***

We intend to continue to seek opportunities to increase our sources of recurring revenue from O&M services, sales of spare parts to existing clients and the sale of non-strategic products and services to third parties. For some of our technology solutions projects, we enter multi-year O&M contracts, and we intend to continue to grow both the number and scope of such contracts. In cases where we do not operate plants, our customers also provide opportunities to grow recurring revenue through our support of their operations.

## **MARKET DYNAMICS AND GROWTH**

Many initiatives, particularly in Europe, call for long-term RNG supply increases and are expected to further promote the development of new biogas facilities along with increasing opportunities for our Capital Sales business. Anaergia finances its BOO projects with a combination of its own equity, third-party equity with a financial partner, project debt, and on occasion with the sale of preferred equity in some of its projects. Management is continuing to work to provide the Company with opportunities to access project-specific debt and/or various types of project-related equity for financing existing and new BOO projects.

### **Europe**

European natural gas prices began Fiscal 2022 at all-time highs as a result of tight gas markets throughout the European Union (the "EU"). The conflict in eastern Europe further inflated gas prices prompting the EU to propose a plan known as "REPowerEU", to reduce reliance on Russian fossil gas by two thirds in Fiscal 2022 and completely phase out its use by the year 2030. REPowerEU in part relies on increasing supplies of RNG. REPowerEU sets a target for the EU to produce



approximately 1,300,000,000 metric million British Thermal units (“**MMbtu**”) (35 billion cubic meters) of biomethane per year by 2030, approximately two times the previously proposed target. Current EU RNG capacity is only about 8% of this target. While natural gas prices have significantly declined from all-time highs in Fiscal 2022 due to a combination of mild weather, increased gas storage and other factors, prices remain above historic averages. The International Energy Agency described the current gas balance as fragile and highly susceptible to short-term market forces.

To supplement the 2018 biomethane (RNG) incentive program in Italy, the European Commission approved, under EU state aid rules, a new Italian incentive program to support the production of sustainable biomethane (RNG) to be injected into the national gas grid for use in the transport and heating sectors. The Italian Ministry of Ecological Transition introduced the new incentive program through a decree in September 2022. This program is in line with REPowerEU and is aimed at promoting the construction and the operation of new or converted RNG production plants in Italy. It will feature both a grant guaranteed by the Italian government expected to cover up to 40% of the eligible capital costs of new RNG facilities, and a fixed feed-in-tariff paid for 15 years that will begin at €60-70 per Megawatt Hour (“**MWh**”) for solid waste projects and €110-115 per MWh for agricultural waste projects.

Anaergia expects support for RNG to increase in other EU countries as well and is developing opportunities in other countries including France, Spain, the United Kingdom (“**U.K.**”), Portugal, and Germany.

## **North America**

Cities in California are required to comply with SB1383 regulations that went into effect on January 1, 2022. The City of Los Angeles belatedly implemented its ordinance in December 2022, which requires all commercial generators to subscribe to organic waste collection and diversion services. In February 2022, the California Public Utilities Commission established the first renewable gas standard in the United States of America (“**U.S.**”) under regulation authorized by SB1440 (Hueso, 2018), requiring utilities to replace at least 3% of the traditional gas delivered to customers with RNG by 2025 and replace 12% with RNG by 2030. Under SB 1440, California utilities will have to procure approximately 75,000,000 MMbtu of RNG annually by 2030 with up to 15-year fixed price off-take agreements. RNG generated from landfill diverted organic waste will be prioritized. SB 1440 complements Anaergia’s strategy in California to generate RNG from landfill-diverted organics and is ideally suited for Anaergia’s technology offering and expertise with a European-style long-term fixed price arrangement.

Other U.S. states are also pursuing landfill organics diversion goals and programs like California’s LCFS. The voluntary market for RNG is also growing as utilities, refineries and other corporations look to offset their carbon emissions. Many U.S. states have implemented policies enabling and promoting the utility procurement of RNG and multiple utilities have set voluntary RNG supply targets, that will provide further off-take opportunities. Illustrating the shift in the voluntary markets, Anaergia has two agreements where we supply carbon-negative RNG; one with Irving Oil supplied by RIBF and a second where Anaergia’s subsidiary, SoCal Biomethane, LLC supplies FuelCell Energy Inc.’s Tri-gen system producing carbon-negative hydrogen and electricity for Toyota.

In the U.S., the Inflation Reduction Act of 2022 (“**IRA**”) puts the country on a path to 40% emissions reductions by 2030. The legislation extends and improves the existing ITC for investments in infrastructure to produce clean fuels and includes biogas property constructed prior to the end of 2024. The credit rate could amount to 30% of the investment, with a possible 10% bonus credit for projects that meet domestic content requirements. Anaergia expects the expanded ITC could directly benefit a number of biogas facilities currently under development in the U.S., as well as expand the opportunity set of projects that can be pursued with improved economic fundamentals. Many of Anaergia’s facilities, both existing and under development, stand to benefit directly from this new clean fuel production tax credit starting in 2025, which could amount to up to \$1.00 per gallon of non-aviation fuel and would apply to all transportation fuel sold until the end of 2027. The extension and modification of the 45Q tax credit for carbon dioxide sequestration could also offer credits of up to \$85/ton of carbon geologically sequestered.

In Canada, Clean Fuel Regulations (“**CFR**”), which increase incentives for the development and adoption of clean fuels, technologies and processes, are expected to dramatically increase the consumption of renewable fuels across Canada. Similar to the LCFS, these regulations will provide monetary incentives for RNG that is used as a transportation fuel. The regulations will also provide incentives for projects that utilize biogas or RNG to reduce the carbon intensity of liquid transportation fuels. The CFR is expected to drive demand for long-term procurement of low carbon intensity RNG.

## **RECENT DEVELOPMENTS**

- On January 14, 2025, Anaergia entered into a binding agreement with Techbau S.p.A. to construct five new biomethane production facilities across Southern Italy. Anaergia will supply proprietary anaerobic digestion technologies and state-of-

the-art equipment for the biomethane production process, while Techbau will oversee the engineering, procurement, and construction of the facilities. The plants are expected to be fully constructed and able to supply renewable biomethane to Italy's gas pipeline grid by the end of 2025. The total investment in the projects is expected to be approximately €100,000, with Anaergia expecting to recognize revenues of approximately \$25,000.

- On February 5, 2025, the Company entered into an agreement securing a new \$13,900 line of credit with the Royal Bank of Canada ("**RBC**"), guaranteed by Export Development Canada ("**EDC**"). This line of credit is valid through January 31, 2027 and can be utilized as collateral for Letters of Credit required on certain Capital Sales projects at the time of executing a contract. As of March 31, 2025, the Company has not utilized any funds on this line of credit.
- On February 20, 2025, Anaergia's subsidiary, Anaergia Singapore Pte Ltd., signed a Letter of Intent with JGC Holdings Corporation to supply technology and equipment for a renewable natural gas project in Japan. The facility is expected to process approximately 61,000 tonnes of combined agricultural and food waste annually, converting these organic waste streams into approximately 1.7 million cubic meters of biomethane equivalent of renewable natural gas per year, as well as fertilizer.
- On February 24, 2025, Anaergia Inc. commenced trading on the OTCQX Best Market under the ticker symbol "ANRGF." This upgrade enhances the company's visibility and accessibility to U.S. investors and reflects Anaergia's commitment to strong financial reporting and corporate governance standards. Anaergia's common shares continue to trade on the Toronto Stock Exchange under the symbol "ANRG."
- On March 4, 2025, Anaergia announced agreements to upgrade the Renewable Energy Anaerobic Digester (READ) facility at the University of California, Davis. Supported by a grant from CalRecycle, the upgrades will enhance facility efficiency and reliability, which is expected to generate over \$7,000 in revenue for Anaergia. The improvements will support greater food waste recycling and renewable energy generation, helping California meet SB 1383 climate action goals.
- On March 28, 2025, Anaergia announced it had received formal notice to proceed from the City of Fermo, Italy, for the construction of a new waste treatment plant including an anaerobic digestion facility. The plant will process more than 35,000 tonnes of source-separated organics annually, producing approximately 31,400 MWh of biomethane per year for conversion into compressed natural gas ("**CNG**") to be used for vehicle fueling. Total project investment is estimated at \$45,500, with Anaergia expecting to recognize revenues exceeding \$9,000. The plant is expected to be fully constructed and producing CNG by mid-2026.
- On March 31, 2025, Anaergia announced contracts with entities owned by QGM S.à.r.l. to build two new biomethane production plants in Copparo and Derovere, Northern Italy. Anaergia S.r.l. will act as the engineering, procurement, and construction contractor, providing state-of-the-art equipment for biomethane production. Each facility will process over 50,000 tonnes of agricultural waste annually, with both plants expected to be operational by mid-2026. The total contracted value for these projects exceeds \$46,000, with both plants expected to be operational by mid-2026.

## KEY COMPONENTS OF RESULTS OF OPERATIONS

### Revenue

Revenue in our Capital Sales segment consists of sales of technology packaged solutions and services to third-party customers, primarily consisting of municipalities and project developers. The solutions are delivered using a variety of methods, including engineering, EPC and design-build services. Revenue in our Capital Sales segment is calculated using the percentage of completion method.

Revenue in our O&M Services segment consists of fees earned from third-party services contracts, including in respect of plant operations and maintenance, and the sale of non-proprietary products to third-party customers. Revenue is recognized as the services performed or upon transfer of title for products provided.

Revenue in our BOO segment includes revenue from the sale of RNG and fertilizer and the receipt of tipping fees from our owned facilities. Revenue is recognized when gas enters the pipeline, fertilizer is shipped and, for tipping fees, when waste is received.

## **Cost of Sales**

Cost of sales includes the cost of labour and materials used directly to create the associated revenue, as well as certain indirect costs. For our Capital Sales segment, cost of sales will generally include engineering, labour, product costs and other project-related costs. In our O&M Services segment, cost of sales is mainly comprised of labour, raw materials and spare parts. In our BOO segment, cost of sales includes labour costs, spare parts, chemicals and other inputs needed to produce RNG and the related by-products.

## **Operating Expenses**

### ***Selling, General, and Administrative Expenses***

SG&A expenses encompass all costs not directly tied to performing a service or producing a product and include such expenses as rent, marketing, accounting, travel, meals, salaries, bonuses and employee-based stock compensation. Depreciation and amortization expenses related to non-revenue generating tangible and intangible assets are also included in SG&A expenses.

### ***Research and Development (“R&D”) Expenses***

R&D expenses include labour and other costs related to the exploration of new or improved technologies. Our R&D expenditures are mainly focused on developing or improving our proprietary products that are key inputs in our overall technology solutions.

### ***Government Grant Income***

Government grants are received for various R&D projects as well as other government incentives. It is recognized based upon the related-IFRS Accounting Standards guidance and typically recognized as income over the life of the relevant project.

### ***Asset Impairment Loss***

Asset impairment loss represents a loss recognized on impairment testing of our CGUs based on impairment triggers.

## **Other Expenses**

### ***Losses Related to Equity-Accounted Investees***

Losses related to equity-accounted investees represents the Company’s portion of losses in our equity-accounted investees, namely Fibracast Ltd. (“**Fibracast**”) and other losses arising from our equity-accounted investments including adjustments to fair value or impairment. Due to the dilution of the Company's investment in Fibracast during 2024, the investment has been updated to the cost method of accounting as of December 31, 2024.

### ***Other Gains (Losses)***

Other gains (losses) include gains and losses that are one-time charges or expenditures that do not relate to the normal operations of the Company.

### ***Finance (Expense) Income***

Finance expense includes interest incurred on the indebtedness of the Company and its subsidiaries that is not related to construction in progress, for which interest is capitalized. These costs are offset by income earned on cash and cash equivalents, and loan receivables.

### ***Foreign Exchange Gains (Losses)***

Foreign exchange gain includes our exposure (realized and unrealized gains and losses) to transactions with currencies that differ from the functional currencies of our Canadian and foreign operations.

### ***Income Tax Recovery (Expense)***

Income tax recovery represents the Company's effective tax expenditure or recovery for the relevant period based on the Company's taxable income or loss.

## **RESULTS OF OPERATIONS**

The following table outlines our consolidated results and earnings for Q1 2025 and Q1 2024:

	Q1 2025	Q1 2024
Revenue	24,876	24,969
Cost of sales	19,473	18,489
<b>Gross profit</b>	<b>5,403</b>	<b>6,480</b>
SG&A expenses	17,176	16,607
R&D expenses	24	307
Government grant income	(6,127)	(224)
<b>Loss from operations</b>	<b>(5,670)</b>	<b>(10,210)</b>
Losses related to equity-accounted investees	—	(478)
Other losses, net	(809)	(320)
Finance costs, net	(1,016)	(1,035)
Foreign exchange gain (losses)	(288)	545
<b>Loss before income taxes</b>	<b>(7,783)</b>	<b>(11,498)</b>
Income tax recovery	1,886	17
<b>Net loss</b>	<b>(5,897)</b>	<b>(11,481)</b>

## **Analysis of Results**

### ***Revenue by Segment***

Revenue by segment	Q1 2025	Q1 2024	Change (\$)	Change (%)
Capital Sales	16,074	16,367	(293)	-1.8%
O&M Services	4,804	4,546	258	5.7%
BOO	3,998	4,056	(58)	-1.4%
<b>Total Revenue</b>	<b>24,876</b>	<b>24,969</b>	<b>(93)</b>	<b>-0.4%</b>

Revenue of \$24,876 for Q1 2025 decreased 0.4%, or \$93, compared to Q1 2024 (Q1 2024: \$24,969). Revenue decreased slightly due to decreases in revenue from Capital Sales and BOOs, partially offset by increases in O&M Services revenue.

Revenue for our Capital Sales segment of \$16,074 for Q1 2025 decreased 1.8%, or \$293, compared to Q1 2024 (Q1 2024: \$16,367). The decrease was due to the timing of project signings and progress during the comparative periods.

Revenue for our O&M Services segment of \$4,804 for Q1 2025 increased 5.7%, or \$258, compared to Q1 2024 (Q1 2024: \$4,546). The increase for Q1 2025 is due to the Company having more field service activity in North America compare to Q1 2024.

Revenue for our BOO segment of \$3,998 for Q1 2025 decreased 1.4%, or \$58, compared to Q1 2024 (Q1 2024: \$4,056). Revenue from our BOO segment decreased due to the idling of our Charlotte facility in February 2024 to minimize operating losses while preparing the site for construction, as well as reduced RIBF revenues related to downtime maintenance Q1 2025.

## **Material Projects**

### ***Singapore Integrated Waste Management Facility ("IWMF") Plant (Current Capital Sale Project)***

During Q1 2025, we recognized revenue of \$372 for this project. The project had an original contract value of SGD 35,017 and was approximately 45% complete as of March 31, 2025. While the project is currently generating less than 10% of our revenue, the overall contract value is deemed to be significant. The project is designed to process 5,800 tonnes per day of

incinerable waste, 250 tonnes per day of household recyclables, 400 tonnes per day of source separated food waste, and 800 tonnes per day of dewatered sludge. The plant is located at the Tuas View Basin Site and will be completed in phases, with the first phase targeted for completion in 2025.

#### **Quakertown (Current Capital Sale Project)**

The project had an original contract value of \$18,444 (US\$13,631) and was approximately 72% complete as of March 31, 2025. This project is designed to refurbish and install new AD facilities at the Borough of Quakertown WWTP in Quakertown, Pennsylvania using our Omnivore™ technology.

#### **The RIBF (BOO Project)**

The RIBF, located near Rhode Island’s central landfill in Johnston, is designed to divert over 100,000 tons per year of waste from landfills and it is the largest AD processing organic waste in New England. This facility converts food scraps plus some other organic wastes, into fertilizer, recycled water and RNG.

On January 29, 2024, Rhode Island Bioenergy Facility Holdco, LLC completed the sale of \$21,679 of the IRA investment tax credits (the “**ITC Transaction**”) generated by qualified investments of RIBF in RNG generating capital expenditures and generated \$21,679 in cash during Q1 2024, which was offset by distributions to our partner of \$7,949, and we recognized expenses on the ITC Transaction of \$2,416.

On April 17, 2024, the RIBF entered into a consent agreement with RIDEM acknowledging the payment of US\$15 and resolving a previous notice of violation. RIBF continues to monitor our compliance on the consent agreement with RIDEM.

On September 30th, 2024, the Company executed an amendment to the RIBF loan, extending its interest-only period through year-end 2025, and restructuring covenant terms and timing.

#### **SoCal Biomethane (BOO Project)**

Anaergia upgraded the existing digester system at this 12 million gallons per day facility providing enough additional capacity to enable co-digestion of food scraps with wastewater solids. We also installed two of our 800-kW dual-fuel combined heat and power modules. In Phase 2 of this project these modules began using conventional natural gas so that the facility’s biogas can be upgraded to RNG (biomethane) for injection into the regional gas utility pipeline system. The plant can produce more than 340,000 MMbtu of renewable natural gas per year. On January 1, 2023, SoCal Biomethane was placed into service and depreciation began on the plant. As of March 31, 2025, the plant was operating profitably while continuing to ramp further to full production capacity.

#### **Charlotte (BOO Project)**

Charlotte, a 5.2-megawatt AD facility located in Charlotte, North Carolina, can process over 120,000 tons of organic waste per year and has its entire annual feedstock requirement under contract or in negotiations with suppliers.

On February 1, 2024, due to recurring losses, the idling of the plant resulted in additional costs of \$1,199 and estimated loss of revenue of approximately \$1,000 in Fiscal 2024.

#### **Revenue by Region**

Revenue by geography	Q1 2025	Q1 2024	Change (\$)	Change (%)
North America	16,706	14,495	2,211	15.3%
Italy	3,495	4,561	(1,066)	-23.4%
Other EMEA*	3,345	3,629	(284)	-7.8%
APAC	1,330	2,284	(954)	-41.8%
<b>Total Revenue</b>	<b>24,876</b>	<b>24,969</b>	<b>(93)</b>	<b>-0.4%</b>

\* Other EMEA excludes Italy as it is disclosed separately

Revenue in North America of \$16,706 for Q1 2025 increased 15.3%, or \$2,211, compared to Q1 2024 (Q1 2024: \$14,495). The increase was due to increases in Capital sales revenue, as well as smaller increases in O&M Services and BOO revenue as projects continue to ramp further towards full production capacity.

Revenue in Italy of \$3,495 for Q1 2025 decreased 23.4%, or \$1,066, compared to Q1 2024 (Q1 2024: \$4,561). The decrease was primarily due to reduced Capital Sales.

Revenue in the EMEA region of \$3,345 for Q1 2025 decreased 7.8%, or \$284, compared to Q1 2024 (Q1 2024: \$3,629). The decrease in Q1 2025 was driven by scope changes and external delays on Capital Sales projects in the middle of execution and an interim delay in new project bookings.

Revenue in the APAC region of \$1,330 for Q1 2025 decreased 41.8%, or \$954, compared to Q1 2024 (Q1 2024: \$2,284). The decrease was driven primarily by decreased activity on the IWMF Capital Sales project in Q1 2025.

### ***Cost of Sales***

<b>Cost of Sales by segment</b>	<b>Q1 2025</b>	<b>Q1 2024</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Capital Sales	11,769	14,388	(2,619)	-18.2%
O&M Services	3,137	2,807	330	11.8%
BOO	4,567	1,294	3,273	252.9%
<b>Total Cost of Sales</b>	<b>19,473</b>	<b>18,489</b>	<b>984</b>	<b>5.3%</b>

Cost of sales of \$19,473 for Q1 2025 increased 5.3%, or \$984, compared to Q1 2024 (Q1 2024: \$18,489). The increase was driven by increased cost of sales related to O&M Services and BOOs, partially offset by decreased cost of sales in Capital Sales.

Cost of sales for Capital Sales of \$11,769 for Q1 2025 decreased 18.2%, or \$2,619, compared to Q1 2024 (Q1 2024: \$14,388). Cost of sales for Capital Sales decreased due to higher margins on Capital Sales projects in the current period relative to the first quarter of fiscal year 2024.

Cost of sales for O&M Services of \$3,137 for Q1 2025 increased 11.8%, or \$330, compared to Q1 2024 (Q1 2024: \$2,807). Cost of sales for Services increased mainly due to increased field services expenses and O&M project expenses.

Cost of sales for BOO of \$4,567 for Q1 2025 increased 252.9%, or \$3,273, compared to Q1 2024 (Q1 2024: \$1,294). Cost of sales for BOO increases were mainly due to continued idled operating expenses at Charlotte and increased one-time compliance and maintenance expenses at RIBF.

### ***Gross Profit (Loss)***

<b>Gross Profit (Loss) by segment</b>	<b>Q1 2025</b>	<b>Q1 2024</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Capital Sales	4,305	1,979	2,326	117.5%
O&M Services	1,667	1,739	(72)	-4.1%
BOO	(569)	2,762	(3,331)	-120.6%
<b>Total Gross Profit (Loss)</b>	<b>5,403</b>	<b>6,480</b>	<b>(1,077)</b>	<b>-16.6%</b>

Gross profit of \$5,403 for Q1 2025 decreased 16.6%, or \$1,077, compared to Q1 2024 (Q1 2024: \$6,480). The change in gross profit was due to decreased margins on BOO and O&M Services contracts, partially offset by increased margins from Capital Sales contracts.

Gross profit for Capital Sales of \$4,305 for Q1 2025 increased 117.5%, or \$2,326, compared to Q1 2024 (Q1 2024: \$1,979). Capital Sales gross profit increased in the current period due to new Capital Sales projects in North America and increased margins on contracts achieved during the period.

Gross profit for O&M Services of \$1,667 for Q1 2025 decreased 4.1%, or \$72, compared to Q1 2024 (Q1 2024: gross profit of \$1,739). The slight decrease in gross profit is a result of increased costs related to field service work.

Gross loss for BOO of \$569 for Q1 2025 changed 120.6%, or \$3,331, compared to Q1 2024 (Q1 2024: gross profit of \$2,762). The reduced gross profit is mainly due to costs associated with the idling of the BOO facility in Charlotte and increased non-recurring operating costs and maintenance related downtime at RIBF.

### *Operating Expenses*

	<u>Q1 2025</u>	<u>Q1 2024</u>	<u>Change (\$)</u>	<u>Change (%)</u>
SG&A expenses	17,176	16,607	569	3.4%
R&D expenses	24	307	(283)	-92.2%
Government grant income	(6,127)	(224)	(5,903)	2635.3%
<b>Total operating expenses</b>	<b>11,073</b>	<b>16,690</b>	<b>(5,617)</b>	<b>-33.7%</b>

SG&A expenses of \$17,176 for Q1 2025 increased 3.4%, or \$569, compared to Q1 2024 (Q1 2024: \$16,607). SG&A increases were primarily due to a \$2,951 specific reserve against an accounts receivable balance. Excluding this reserve, SG&A expenses in Q1 2025 would have been \$14,225, or a \$2,382 (-14.3%) improvement over Q1 2024.

R&D expenses of \$24 for Q1 2025 decreased 92.2%, or \$283, compared to Q1 2024 (Q1 2024: \$307). Management has been focusing our efforts on refining the Company's existing technology and Capital Sales product offerings and is continuing to monitor investment costs in R&D expenses.

Government grant income of \$6,127 for Q1 2025 increased 2635.3%, or \$5,903, compared to Q1 2024 (Q1 2024: \$224). The increase was due to the release of government grants following the completion of the associated project, for which all cash had been received in prior years and deferred.

### *Other Expenses*

	<u>Q1 2025</u>	<u>Q1 2024</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Losses related to equity-accounted investees	—	(478)	478	-100.0%
Other losses, net	(809)	(320)	(489)	152.8%
Finance costs, net	(1,016)	(1,035)	19	-1.8%
Foreign exchange gain (losses)	(288)	545	(833)	-152.8%

#### *Losses related to equity-accounted investees*

The adjustment to equity accounted investees in Q1 2025 is \$nil, representing a 100.0% decrease, or \$478, when compared to Q1 2024 value of \$478. Due to the dilution of the Company's investment in Fibracast during 2024 that reduced the ownership to be 4.0%, the investment has been updated to the cost method of accounting as of December 31, 2024 and the remaining balance of \$2,584 has been reclassified to other long-term assets.

#### *Other losses, net*

Other losses of \$809 for Q1 2025 increased by 152.8%, or \$489, compared to Q1 2024 (Q1 2024: \$320). The increase in other losses is mainly due to changes in timing and the nature of one-time charges that are not deemed to be an operating expense.

#### *Finance costs, net*

Finance costs of \$1,016 for Q1 2025, decreased by 1.8%, or \$19, compared to Q1 2024 (Q1 2024: \$1,035). The decrease in finance costs is due to changes in lending activity from borrowers compared to the first quarter of fiscal year 2024.

#### *Foreign exchange gain (losses)*

The Company incurred a foreign exchange loss of \$288 for Q1 2025 compared to a gain of \$545 in Q1 2024. The fluctuations are primarily due to foreign currency transactions with our customers and vendors and changes in exchange rates.

## EBITDA and Adjusted EBITDA

	Q1 2025	Q1 2024	Change (\$)	Change (%)
EBITDA*	(5,287)	(9,277)	3,990	-43.0%
Adjusted EBITDA*	(3,940)	(6,019)	2,079	-34.5%

EBITDA\* Loss of \$5,287 for Q1 2025 improved 43.0%, or \$3,990, compared to Q1 2024 (Q1 2024: EBITDA\* Loss \$9,277). The improvement was driven by decreases in net loss as well as increases in depreciation and amortization and income tax expense period over period.

Adjusted EBITDA\* Loss of \$3,940 for Q1 2025 decreased 34.5%, or \$2,079, compared to Q1 2024 (Q1 2024: Adjusted EBITDA\* Loss \$6,019). The decrease in adjusted EBITDA loss was primarily driven by decreases in net loss as well as addbacks of RIBF income tax credit transaction costs in the first quarter of fiscal year 2024 that did not recur in the current period.

\* See "Non-GAAP Measures"

## RECONCILIATION OF NET LOSS TO EBITDA AND ADJUSTED EBITDA

The following table shows a reconciliation of net income (loss) to EBITDA\* and Adjusted EBITDA\* for Q1 2025 and Q1 2024:

	Q1 2025	Q1 2024
Net loss	(5,897)	(11,481)
Finance costs, net	1,016	1,035
Depreciation and amortization	1,480	1,186
Income tax recovery	(1,886)	(17)
<b>EBITDA*</b>	<b>(5,287)</b>	<b>(9,277)</b>
Share-based compensation expense	250	589
Losses related to equity-accounted investees	—	478
Other losses (1)	809	320
RIBF income tax credit transaction cost (2)	—	2,416
Foreign exchange (gain) loss	288	(545)
<b>Adjusted EBITDA*</b>	<b>(3,940)</b>	<b>(6,019)</b>

\* See "Non-GAAP Measures"

Notes:

(1) The other gain (losses) are included as other gains and losses on our statement of operations.

(2) The RIBF income tax credits transaction costs represent one-time costs that are included in SG&A on our statement of operations.

## Revenue Backlog

Revenue Backlog*	As at March 31, 2025	As at December 31, 2024
Capital Sales	182,382	89,760
O&M Services	17,651	13,305
<b>Total Revenue Backlog</b>	<b>200,033</b>	<b>103,065</b>

Revenue backlog of \$200,033 for Q1 2025 increased 94.1% or \$96,968 compared to Q4 2024 (Q4 2024: \$103,065). The increase in backlog was primarily due to the execution of new contracts, primarily in Italy and North America.

\* See "Non-GAAP Measures"



## STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	As at March 31, 2025	As at December 31, 2024
Current assets	98,047	104,218
Non-current assets	124,983	129,109
Current portion of lease and long-term debt liabilities	34,554	34,607
Other current liabilities	86,570	89,042
Current liabilities	121,124	123,649
Non-current portion of lease and long-term debt liabilities	36,679	37,103
Non-current other liabilities	15,970	19,370
Non-current liabilities	52,649	56,473
Equity	49,257	53,205

The main driver of the decrease in current assets arise as a combined result of decreased cash netted against increased contract assets and inventories for the Q1 2025 period. The decrease in current liabilities is a combined result of the timing of payments, decreased deferred government grants, and accrued liabilities netted against increased contract liabilities.

## LIQUIDITY AND CAPITAL MANAGEMENT

### Overview

Our objective when managing liquidity is to maintain sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We also strive to maintain a strong capital base which is integral to investor, creditor and market confidence and to supporting future business development. Our capital structure consists of cash, long-term debt and equity consisting of share capital, contributed surplus and accumulated deficit.

We monitor cash flow requirements to optimize our cash return on investments. We aim to maintain a level of cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. We also monitor the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, our Capital Sales contract payment terms are structured so that projects are cash positive, resulting in margins being captured early in the project. This allows us to effectively fund our Capital Sales growth without the need for additional capital. As part of our growth strategy, as updated to conform to our capital-light model, BOO capital expenditures are expected to be spent developing, acquiring and building BOO assets. Funding for projects consists of a combination of project-level debt financing, potential equity investment partners, cash from operations and equity investments from the Company.

In supporting the construction of BOO assets currently in execution and the development of other assets in our development pipeline, the Company expects to deploy capital as required depending on a number of factors, including project-specific development timelines and the availability of debt and equity financing, among others. Moreover, the Company may have contributed capital to a project before debt financing is in place and then may recover and reallocate the funds to another project once debt financing has been established. As a result, the source of capital and the amount of capital that would be contributed by the Company to a particular BOO asset change over time and cannot be determined with precision in advance.

### Capital Resources

As part of our new capital light strategy, we are focusing on entering into Capital Sales contracts that will require our customers to make prepayments on our Capital Sales contracts in order to fund construction. This includes our product companies in Europe, as these entities will require up-front payments from customers in order to start and complete orders.

Our working capital requirements can vary significantly from month-to-month due to a range of business factors, including the ramping of new Capital Sales projects, expansion or volume of our Services segment and fluctuations in BOO operations, timing of purchases, customer delays in project timing, timing of payments and A/R collections. Management's intent is to structure contracts so that the Capital Sales contracts are cash flow positive but delays in projects remain outside of Anaergia's

control. The international scope of our operations may also create working capital requirements in certain countries while other countries generate cash in excess of working capital needs.

## Liquidity

The Q1 Interim Financial Statements have been prepared in accordance with IFRS Accounting Standards, which contemplates continuation of the Company as a going concern. For Q1 2025, the Company experienced operating losses of \$5,670 and negative cash flows from operations of \$7,738. In order to decrease liquidity risk, the Company has, among other actions, terminated loss making contracts, decreased headcount for certain positions, increased management's efforts to collect on older receivables, and is limiting non-essential expenditures.

As of March 31, 2025, the Company's cash reserves have decreased from \$30,220 as at December 31, 2024 to \$20,775 due to business operations, as well as negative impacts from exchange rate fluctuations during the period.

The Company has used the capital from the Strategic Investment to fund the operations of Anaergia and to bring trade payables current. Management cannot guarantee that it will satisfactorily complete these plans, or that the plans will alleviate the need for additional cash funding of the business. Our future strategy continues to rely on low up-front capital investment and refocusing our resources on our Capital Sales segment.

We are continuing to evaluate our BOO assets and are determining if certain financing options are worth pursuing at this time to increase capital resources available to the remaining projects. We will continue to seek equity partners and debt financing on our current BOO projects.

The Company, through its subsidiary, RIBF, has entered into the RIBF Loan, which is subject to customary financial covenants. On September 30th, 2024, the Company executed an amendment to the RIBF loan, extending its interest-only period through 2025, and restructuring covenant terms and timing. Due to the Company not being in compliance with certain production covenants during the fourth quarter of fiscal year 2024 and the first quarter of fiscal year 2025, this loan is classified as current as of March 31, 2025. Subsequent to the balance sheet date the Company requested and was granted a waiver of this covenant as of March 31, 2025. The Company expects that it will continue to not be in compliance with this production covenant as of June 30, 2025.

The Company, through its subsidiary, SCORF, has the SCORF Loan, which, due to filings as part of Rialto bankruptcy filing and Royal Bank of Scotland's rejection of the Fee Agreement, a portion of the collateral for the loan has been cancelled. We have entered negotiations with the lender and are continuing to make payments on the SCORF Loan. As of December 31, 2024, CalRecycle has provided the Company with an estoppel certificate declaring that it is not considering the status of the Fee Agreement, as impacted by Rialto bankruptcy, to be an event of default under the Loan Agreement.

On February 5, 2025, the Company entered into an agreement securing a new \$13,900 line of credit with the Royal Bank of Canada, guaranteed by Export Development Canada. This line of credit is valid through January 31, 2027 and can be utilized as collateral for Letters of Credit required on certain Capital Sales projects at the time of executing a contract. As of March 31, 2025, the Company has not utilized any funds on this line of credit.

## ANALYSIS OF CASH FLOWS

### Cash Flows

	Q1 2025	Q1 2024
Cash used in operating activities	(7,738)	(8,533)
Cash provided by (used) in investing activities	(336)	20,265
Cash provided by financing activities	1,633	3,930
Effect of exchange rate differences	(3,004)	(33)
<b>Cash, beginning of period</b>	<b>30,220</b>	<b>22,113</b>
<b>Cash, end of period</b>	<b>20,775</b>	<b>37,742</b>

### ***Cash Used in Operating Activities***

The decrease in cash used in operating activities for YTD 2025 is mainly due to a reduction in the net loss, reduced net change in operating assets and liabilities, and changes to expected credit losses on receivables.

### ***Cash Provided by (Used) in Investing Activities***

The decrease in cash provided by investing activities during YTD 2025 is due to the cash receipt for the ITC Transaction in the first quarter of fiscal year 2024, off-set by purchases of non-financial assets.

### ***Cash Provided by Financing Activities***

The decrease in cash provided by financing activities for YTD 2025 was mainly due to changes in the contributions and distributions to non-controlling interests, partially offset by proceeds from the issuance of share capital in the first quarter of fiscal year 2024.

## **CONTRACTUAL OBLIGATIONS**

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at March 31, 2025.

	Maturing						
	Maturing in Year 1	Maturing in Year 2	Maturing in Year 3	Maturing in Year 4	Maturing in Year 5	Maturing beyond Year 5	
Lease and debt obligations	84,832	37,959	6,426	6,031	8,222	5,026	21,168

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at March 31, 2025, Anaergia had commitments of \$nil relating to capital expenditures for our North America BOOs, mainly related to the RIBF. These capital commitments represent construction contracts with third-party contractors and are calculated as the total amount of the contract offset by the amount billed and completed as of our balance sheet date. The contracts do permit cancellation for various reasons and we believe we would be able to settle these contracts for decreased amounts given that the work and effort has not been incurred by the vendor, if these contracts were terminated.

As at March 31, 2025, Anaergia had performance bonds of \$50,035 representing the maximum amount potentially payable on performance bonds and guarantees issued by financial institutions to Anaergia S.r.L., Anaergia and Anaergia DB Inc., for the benefit of a third parties. Performance bonds are financial guarantee contracts issued by financial institutions, for the benefit of a third party on behalf of Anaergia and Anaergia S.r.L. We use these bonds to guarantee performance for our customers' benefit and to lessen our capital requirements to customers. If we perform on the Capital Sales and BOO sales, customers would have no need or use for the bond and they would then expire at the end of the contract. Customers could draw on the bond for their benefit by submitting claims to the financial institution or insurance company, and then we would be forced to reimburse them for the claims. We could dispute the claim and enter into litigation to resolve the dispute. Historically with the number of our contracts, we have had only rare claims on these performance bonds. We have also been able to successfully enter litigation to reclaim payment or partial payment on bonds wrongfully claimed.

As at March 31, 2025, Anaergia had financial guarantees of \$14,127. Financial guarantee contracts are agreements and/or commitments to reimburse or make payment on account of any losses or non-payments by a borrower in an event of default scenario and include surety guarantees in connection with transactions between two parties. These include a letter of patronage for customer, that guarantees sufficient capital for performance on a revenue contract. We have four financial guarantees for the benefit of related parties were they not to pay on an obligation that they owe, where we would be forced to pay on those obligations. In addition, we have financial guarantee contracts in the form of indemnity agreements from insurance carriers related to the performance bonds discussed above.

## **RELATED PARTY TRANSACTIONS**

The following is a description of our related parties and the nature of the transactions with them.

### **Fibracast**

Fibracast is a manufacturer of water treatment membranes domiciled in Ontario, Canada. In previous years, we were a significant shareholder of Fibracast (approximately 45% on a non-diluted basis). Subject to any conversion of interests by pending preferred equity holders in Fibracast, we currently hold an approximate 4% interest (on a non-diluted basis) in Fibracast. Anaergia purchases water treatment screens from Fibracast for our Capital Sales projects. We have guaranteed two loans with Canadian federal entities and have subordinated our loan to Fibracast in respect of the same loans. On July 23, 2024, we entered into a back-stop agreement with an investor of Fibracast, to obtain an unconditional indemnity agreement to off-set any claims made on the guarantees.

### **Marny**

Marny is a Luxembourg-based holding company which focuses on investment properties in central and eastern Europe. Marny invests in high-quality projects that utilize advanced technology and materials and through Marny's collaborations with its partners it ensures that its investments are well-managed and yield maximum value. Marny is a participant in the Strategic Investment through its wholly owned subsidiary, Marny Holdco.

### **Bioenergy Pte. Ltd.**

Bioenergy Pte. Ltd. is a bioenergy plant located in Singapore. Anaergia Singapore Pte Ltd. owns a 5% investment in the Bioenergy Pte Ltd. which is currently carried at cost of \$nil and was the O&M service and EPC provider on their plant in Singapore.

### **W.M. Lyles, Co. ("W.M. Lyles")**

On April 10, 2023, the Company added Stan Simmons as a member to the board of directors, given Mr. Simmons' position as Chairman of the board of directors of W.M. Lyles, the Company determined that W.M. Lyles was a related party of the Company. W.M. Lyles also owns a less than 5% equity interest in the Company. All purchases from W.M. Lyles are capitalized as part of BOO property, plant, and equipment, and all sales are transacted at the Company's standard pricing.

### **Rialto**

Rialto, prior to the Chapter 11 bankruptcy filing, was a fully consolidated bioenergy plant located in Rialto, California. Anaergia Services, LLC continues to provide O&M services to the plant after its acquisition in the bankruptcy by Rialto Bioenergy Solutions, LLC, an affiliate of Sevana Bioenergy. Previously, prior to the sale of Rialto, we had two guarantees executed for the benefit of Rialto, one to a contractor and one for the benefit of one of Rialto's landlords; such guarantees were terminated in the Chapter 11 bankruptcy process. After the sale of Rialto in 2024, Rialto is no longer a related party.

### **MD Limassol Waste Management Company Ltd. ("Limassol")**

Our subsidiary, db Technologies BV ("**dbT**"), owns a 40% interest in a joint venture ("**JV**") with Medcon Construction Ltd. The JV was formed to undertake and execute a project, as its contractor, for design, construction, and operation of the integrated installations for the management of municipal solid waste and waste transfer station in the region of Limassol, owned by its customer, Ministry of the Interior of the Republic of Cyprus. The JV is a jointly controlled arrangement, and all decisions are made with the unanimous consent of both JV partners. dbT also has a minority interest in MD Limassol Waste Management Company Ltd., a Cyprus limited liability company, which was formed and entered into as an O&M agreement with the municipal solid waste plant and transfer station that the JV was contracted to build. As a result of losses of the JV, the carrying value of our interest as of March 31, 2025 and December 31, 2024 is nil. In December 2023 the Cyprus government client terminated the O&M agreement.

### **TGW Holdings**

TGW Holdings is a construction and infrastructure group that is assisting the Company with Engineering, Procurement, and Construction contracts within the European Union. Ohad Epshtein, Chairman of the Board of the Company, also holds the position of Chairman of the Board of TGW Holdings.

The Company and its subsidiaries (together referred to as the “**Group**”) had the following related party asset balances as at Q1 2025 and as at Fiscal 2024.

Related party:	Accounts receivable	
	<b>Outstanding Balances at</b>	
	March 31, 2025	December 31, 2024
Fibracast	7	7
MD Waste Management Co Ltd *	10,557	10,557
Bioenergy Pte. Ltd	32	31
Rialto Bioenergy Facility, LLC (“Rialto”)	464	—
W.M. Lyles Co.	76	494
Total	11,136	11,089

  

Related party:	Loans receivable	
	<b>Outstanding Balances at</b>	
	March 31, 2025	December 31, 2024
Fibracast	611	590
Loan to MD Waste Management Co Ltd., Limassol, Medcon & db Technologies BV (JV partner) **	—	807
Total	611	1,397

\* These accounts receivables with related parties are fully reserved for the Company’s expected credit losses provisions as at December 31, 2024 and March 31, 2025.

\*\* These loans receivable balances with related parties are fully reserved for the Company’s expected credit losses provisions as at December 31, 2024 and March 31, 2025.

The Group had the following related party liability balances as at Q1 2025 and as at Fiscal 2024.

Related party:	Accounts Payable	
	<b>Outstanding Balances at</b>	
	March 31, 2025	December 31, 2024
W.M. Lyles Co.	1,196	2,669
Fibracast	68	64
Bioenergy Pte. Ltd	100	99
Total	1,364	2,832

The Group had the following related party transactions for the Q1 2025 and Q1 2024.

Related party:	Transactions for the Three Months Ended March 31,	
	2025	2024
	Revenue for goods and services	
Rialto	11	326
W.M. Lyles Co.	418	69
Total	429	395

  

Related party:	Purchases of goods or services	
	2025	2024
	Revenue for goods and services	
Fibracast	—	174
TGW Holdings ***	117	—
W.M. Lyles	1,474	108
Total	1,591	282

\*\*\* During the year ended December 31, 2024, the Company paid \$1,824 to TGW Holdings, which was recorded as a prepaid asset. Of this amount, \$117 has been recorded as an expense in the current period.

## OUTSTANDING SHARES DATA

On July 29, 2024, a special resolution approving the alteration to the notice of articles and articles of Anaergia to remove the Multiple Voting Shares from the authorized share structure of Anaergia and to alter the identifying name of the subordinate

voting shares to “common shares” was approved by the shareholders of the Company at the annual general and special meeting of shareholders.

The table below indicates the number of outstanding Common Shares as of the dates indicated:

	As at March 31, 2025	As at December 31, 2024
Common Shares	169,839,016	169,789,578

## QUARTERLY INFORMATION

The following table sets forth selected unaudited quarterly statements of operations data for periods indicated below. The information for each of these quarters has been prepared on the same basis as the 2024 Annual Financial Statements. This data should be read in conjunction with the Q1 2025 Interim Financial Statements and the notes thereto and is not necessarily indicative of our operating results for a full-year or any future period.

Quarterly information	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023 (Restated)	Q2 2023 (Restated)
Revenue	24,876	34,057	29,029	23,591	24,969	33,408	33,952	42,502
Loss from operations	(5,670)	(7,234)	(10,927)	(11,665)	(10,210)	(35,931)	(13,327)	(25,789)
Net loss	(5,897)	(15,416)	(15,611)	(13,356)	(11,481)	(34,058)	(30,568)	(117,523)

\* See “Non-GAAP Measures”

Net loss of \$5,897 for Q1 2025 decreased 61.7%, or \$9,519, compared to Q4 2024 (Q4 2024: net loss of \$15,416). The main driver of the decrease was a reduction in SG&A expenses quarter over quarter.

Net loss of \$5,897 for Q1 2025 decreased 48.6%, or \$5,584, compared to Q1 2024 (Q1 2024: net loss of \$11,481). The decrease is mainly due to increased government grant income recognized during the quarter, partially offset by an increase in SG&A expense quarter over quarter.

## RISKS AND UNCERTAINTIES

An investment in the Common Shares involves risk. Investors should carefully consider the risks and uncertainties described herein and in the Annual Information Form. The risks and uncertainties described herein and in the Annual Information Form are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results, please see our Annual Information Form and other filings with the Canadian securities authorities, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control system was designed to provide reasonable assurance to our management team and the board of directors of the Company regarding the preparation and fair presentation of published financial statements in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Canadian Securities Administrators require that companies certify the effectiveness of internal controls over financial reporting. It also requires a company to use a control framework such as the COSO Framework to design internal controls over financial reporting, which was applied by the Company. As well, the threshold for reporting a weakness of internal controls over financial reporting should be of a “material weakness” rather than “reportable deficiency.”

During Q1 2025, we assessed the effectiveness of our internal control over financial reporting related to the period and reassessed for the comparative periods (“**Periods**”). Based on that evaluation and due to the material weakness described below, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures, and internal controls over financial reporting, for the Periods were not effective.

## **Identification of Material Weakness in Internal Control Over Financial Reporting**

During the reporting periods presented, management did not maintain effective control over the interpretation and application of technical IFRS Accounting Standards matters. This deficiency required the Company to make adjustments prior to or in connection with the issuance of the 2023 Annual Financial Statements.

Delays in filing the 2023 Annual Financial Statements, which resulted in a failure to file cease trade order imposed by the Ontario Securities Commission, are also indicative of a material weakness in internal controls.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has determined there is a material weakness in internal control over financial reporting.

## **Remediation of Material Weakness in Internal Control Over Financial Reporting**

In response to the material weakness, management has hired financial accounting and management personnel with extensive technical knowledge and professional experience in financial reporting. The underlying process related to the material weakness continues to be enhanced. Revenue recognition policies have been updated to conform with IFRS 15. The revised process and control will continue to be tested quarterly for design and operating effectiveness.

In response to delays in filing the 2023 Annual Financial Statements, the Company's finance and accounting organization has built up a stronger professional team, strengthened its policies and procedures for internal and external reporting, streamlined the process of interim and year-end audits to allow timely completion, and implemented a monthly accounting close process, which helped to expedite the year-end and quarterly disclosure of financial information.

Management is committed to the implementation of remediation efforts to address the material weakness. Remediation is continuing and intended to address the material weakness and enhance the overall financial control environment, including steps to address the evaluation, applicability, and documentation of the impact of technical accounting matters on an ongoing basis, as well as adopting a monthly accounting close. The material weakness will only be considered as remediated when the applicable controls operate for a sufficient period of time and management has concluded through testing, that the controls are operating effectively.

No assurance can be provided at this time that the actions and remediation efforts of the Company will effectively remediate the material weakness or prevent the occurrence of other significant deficiencies or material weaknesses in the Company's internal controls over financial reporting in the future.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

### ***Evaluation of Control Over Investees***

We regularly assess our control for each investee on an ongoing basis. In evaluating whether we control investees, we apply judgment to assess whether we hold existing rights that give us the current ability to direct the relevant activities of our investee, has exposure or rights to variable returns from our involvement in the investee, and has the ability to use our power to affect

these returns. Judgment is also required to determine the point in time at which we can exercise or cease to exercise such rights and abilities.

### ***Componentization and Useful Lives of Property, Plant, and Equipment***

Amounts recorded for depreciation and amortization expense are based on our componentization of our property, plant, and equipment and our estimate of the useful life and pattern of consumption of future economic benefits of the property, plant, and equipment. Judgment is applied to allocate costs incurred to their respective significant components.

### ***Determining Cash Generating Units (“CGUs”)***

For the purpose of assessing impairment of non-financial assets, we must determine our CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identifiable cash flows. The determination of a CGU is based on our judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

### ***Arrangements That May Contain a Lease***

We apply judgment when determining whether an arrangement may contain a lease. For leases identified, we exercise judgment in determining the lease term, lease components, and the underlying value of the leased asset.

### ***Impairment of Long-Lived Assets***

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The nature of events that are deemed to be triggering events for an impairment test require our judgment. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into CGUs. The testing of CGUs for impairment requires us to make assessments including the projected cash flow of the CGU, the likely capital structure, inputs into discount rates and to determine the best use for the CGU being tested. The recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use, being the present value of the expected future cash flows of the relevant CGU. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. We conducted an impairment test on two CGUs during the year and two CGUs at year end, and quarterly during fiscal year 2024, see Note 10 to the 2024 Annual Financial Statements for further details.

### ***Going Concern Assessment***

We apply judgment when performing an assessment of going concern. This assessment requires us to make judgments related to our projected cash flows, material risks and uncertainties including compliance with future debt covenants and the necessary timing of cash flows to meet our present obligations as they become due.

### ***Key Areas of Estimation Uncertainty***

#### ***Revenue Recognition***

Where the outcome of performance obligations for contracts can be estimated reliably, revenue is recognized. Capital Sales revenue related to EPC contracts that is recognized based on performance over time is measured primarily based on the costs incurred which approximates the value to the customer relative to the estimated total contract costs. Where the outcome of performance obligations for the contracts cannot be reliably measured, contract revenue is recognized in the current year to the extent that costs have been incurred until such time that the outcome of the performance obligations can be reasonably measured. The use of a cost-based input method requires the use of significant assumptions in estimating total contract costs, including materials, labour, and subcontractor costs, which are recognized as expenses in the year in which they are incurred.

#### ***Fair Value of Financial Instruments***

Certain financial instruments, such as embedded derivative financial instruments and cash flow hedges, are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in profit and loss or through other comprehensive income. Fair value of some financial instruments is estimated by using valuation techniques that require assumptions such as interest rates, credit spreads, exchange rates, forward prices, and other inputs. Where possible,



management utilizes observable inputs in the determination of fair value and from time to time will involve external valuation specialists.

### ***Estimated Credit Losses***

We maintain an allowance for expected credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of creditworthiness of the portfolio of customers (most of which are government clients or major industrial companies), historical payment experience, the age of outstanding receivables, collateral to the extent applicable, and forward-looking information regarding our ability to collect.

### ***Business Combination Accounting***

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any non-controlling interest in the acquiree (if any) and the acquisition date fair value of the previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. The accounting for business combinations requires management to make assumptions including about the fair value of consideration transferred, the fair value of assets and liabilities acquired, and the fair value of any non-controlling interest.

### ***Recoverability of Long-Lived Assets***

We test annually or more frequently, if necessary, whether goodwill or other long-lived assets have suffered any impairment in accordance with the accounting policies. Performing impairment testing requires management to determine the estimated recoverable amount of the relevant CGUs including either the CGUs estimated fair value less costs to sell or based on the assets value in use which is determined using projected future cash flows using internal business plans or forecasts, and discounting these cash flows to appropriately reflect the time value of money. Impairment assessments inherently involve assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes in our estimates of future cash flows.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at March 31, 2025, we had an embedded prepayment option on our outstanding Live Oak loan for SoCal Biomethane - which has an asset balance of \$22. This instrument is valued using a binomial option pricing model that reflects our credit rating and the likelihood that we would exercise the prepayment option. Changes in the fair value of this financial instrument are recorded through the statement of operations as other gains or losses. This financial instrument can only ever be an asset balance, as a prepayment penalty.

On October 13, 2023, we executed an International Swaps and Derivatives Association schedule and master agreement effective October 4, 2023 with East West Bank. These agreements and other associated required agreements (collectively, the “**Interest Rate Swap Agreements**”) effectively constitute an interest rate swap agreement with East West Bank which effectively fixes the interest on the RIBF Loan at 9.04%. The Interest Rate Swap Agreements have a notional amount of US\$20,000, and a maturity of seven years, the same as the RIBF Loan. It is our intention to designate the interest rate swap as an effective hedge. The Interest Rate Swap Agreement is valued using discounted future cash flows and market pricing of a similar instrument on each reporting date. We are anticipating that the hedge relationship is highly effective and that changes in the value of the swap will be recorded in our statement of other comprehensive income (loss) as fair value gain or loss on an effective hedge.

### ***Financial Risk Management***

We have exposure to risks arising from financial instruments, including credit risk, liquidity risk, and market risk, which includes currency risk and interest rate risk. Our board of directors has overall responsibility for the establishment and oversight of our risk management framework. Our senior management is responsible for developing and monitoring our risk management policies. Our risk management policies are established to identify and analyze the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities.

### ***Credit Risk***

Credit risk is the risk of financial loss to us, if a customer, borrower, or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from our receivables from customers. Customer credit risk is managed by each business unit subject to our established policies, procedures, and controls relating to customer credit risk management.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

We mitigate this risk through our credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of our customers. We evaluate the concentration of risk with respect to trade receivables as low, as our customers are located in several jurisdictions and industries and operate in largely independent markets.

In addition, we are exposed to credit risk in relation to financial guarantee contracts given by banks on behalf of related parties. Our maximum exposure in this respect is the maximum amount the group could have to pay if the guarantee is called. As at March 31, 2025, an amount of \$8,923 is the total estimated loss that we are exposed to, however, no loss allowance was recognized in profit or loss. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

### ***Liquidity Risk***

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. Our exposure to this risk is mainly in respect of its trade payables, other accounts payable and accrued liabilities, long-term debt, and lease liabilities.

Our objective when managing liquidity is to ensure, as far as possible, that the Company will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We monitor our cash flow requirements to optimize its cash return on investments. We aim to maintain the level of our cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. We also monitor the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

### ***Market Risk***

Market risk is the risk that changes in market prices (foreign exchange rates, interest rates, and equity prices) will affect our income or loss or the value of our holdings of financial instruments. Market prices are subject to interest rate risk and currency risk.

Our financial instruments which are affected by market risk include loans and borrowings, deposits, cash flow hedging and a bond-related embedded derivative asset. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### ***Interest Rate Risk***

We are exposed to interest rate risk on our variable rate borrowings. Accordingly, interest rate fluctuations affect the amount of interest expense we are obligated to pay. We currently use Interest Rate Swap Agreements to manage our exposure to interest rate changes. We have designated the interest rate swaps as cash flow hedges for accounting purposes. Accordingly, the earnings impact of the derivatives designated as cash flow hedges are recorded upon the recognition of the interest related to the hedged debt. There was no significant ineffectiveness in Q1 2025.

Taking our interest rate swap into account, a sensitivity analysis of the impact on the Company's variable rate corporate debt instruments to a hypothetical 100 basis point increase in short-term rates (Prime) during Q1 2025 would have resulted in no significant increase in interest expense.

### ***Currency Risk***

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of our relevant entity. We operate internationally and are exposed to the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. We monitor our

exposure to currency risk and review whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates.

#### **FUTURE ACCOUNTING POLICY CHANGES**

From time to time, new accounting pronouncements are issued by the IASB or other standards-setting bodies and are adopted as of the specified effective date. The new and amended standards and interpretations that are issued, but not yet effective, if any, up to the date of issuance of our financial statements will be disclosed below. We adopt new and amended standards and interpretations, if applicable, when they become effective.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).