



ANAERGIA INC.

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

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2022 AND 2021

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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- and twelve-month periods ended December 31, 2022 and 2021 is prepared as of April 10, 2023 and provides information concerning our financial condition and results of operations. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements as at December 31, 2022 and December 31, 2021 and for the years ended December 31, 2022 and December 31, 2021 (the "2022 Annual Financial Statements"), together with the related notes thereto. The financial information presented in this MD&A is derived from the 2022 Annual Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 "Q4 2022" are to our fiscal quarter for the three months ended December 31, 2022 and references to "Q4 2021" are to our fiscal quarter for the three months ended December 31, 2021. References to "Fiscal 2023" are to the fiscal year ending December 31, 2023, references to "Fiscal 2022" are to the fiscal year ended December 31, 2022, references to "Fiscal 2021" are to the fiscal year ended December 31, 2021 and references to "Fiscal 2020" are to the fiscal year ended December 31, 2020.

Additional information about the Company, including its annual information form for the year ended December 31, 2022 (the "Annual Information Form") and management information circular dated May 5, 2022 (the "Circular"), is available on SEDAR at www.sedar.com. The Company's subordinate voting 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, the future impact of the novel coronavirus ("COVID-19") pandemic or other future events or developments and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, 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", "trends", "indicates", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" 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, statements relating to the potential impact of the COVID-19 pandemic on our business, financial condition and results of operations; expectations regarding our revenue, expenses and operations; expectations regarding industry trends, overall market growth rates and our growth rate; the expected financial performance of our build-own-operate ("BOO") assets, including the Rialto Bioenergy Facility (the "RBF") following the commencement of operations; estimates of Revenue Backlog; our business plans and growth strategies; our competitive position in our industry, including anticipated trends and challenges in our business and the markets in which we operate; our assessments of, and outlook for, Fiscal 2023 and Fiscal 2024, including revenues and Adjusted EBITDA; and intentions with respect to the implementation of new accounting standards. In addition, the Company's near-term financial outlook is considered forward-looking information. See "Financial Outlook" below.

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. 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 and the Circular. Certain assumptions in respect of our ability to build our market share and our growth outlook; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to enter into feedstock, offtake arrangements and engineering, procurement and construction contracts of acceptable terms; 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; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; our estimated contracted revenue and revenue from the Company's BOO assets operating at full capacity during their useful life; operations and maintenance cost estimates; conventional levels of contingency, start-up costs and reserves; capital costs remaining steady; the timely construction of facilities; and the continuation of legislation and regulation favouring landfill diversion and environmental attributes for renewable natural gas (“RNG”) 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-IFRS MEASURES AND INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures and industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures and industry metrics, including “Adjusted EBITDA”, “EBITDA”, and “Revenue Backlog” to provide investors with supplemental measures. Management also uses non-IFRS 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-IFRS measures and industry metrics 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 financial measures. Management believes such measures 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-IFRS 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, gains and losses for equity accounted investees, gain or loss on equity method adjustment, significant one-time provisions, foreign exchange gains or losses, restructuring costs, 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), acquisition costs and costs related to our initial public offering, including estimated incremental auditing and professional services costs incurred in connection with our initial public offering.

“**Development Pipeline**” is defined as the overall project development pipeline over which the Company has visibility.

“**EBITDA**” is defined as net income before finance costs, taxes and depreciation and amortization.

“**Revenue Backlog**” is defined as the balance of unrecognized, undiscounted, consolidated revenues from signed contracts in our Capital Sales and Services segments and from our BOO assets that are operational, under construction or financially closed over their remaining useful life. We have conservatively modeled for only 20 years of revenue out of the useful life of the BOO assets.

See “Reconciliation of Non-IFRS Measures” for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

HIGHLIGHTS

- For the year ended December 31, 2022, revenue increased 25.4%, or \$32,980, to \$162,853 compared to Fiscal 2021 (Fiscal 2021: \$129,873). The increase was driven mainly by Capital Sales projects under execution in the Europe, Middle East and Africa (EMEA) market, specifically in Italy. Fiscal 2022 revenue was within the guidance range previously provided.
- For the year ended December 31, 2022, loss from operations increased \$17,740, or 120.7%, to (\$32,433) for fiscal 2022 (2021 - (\$14,693)).
- For the year ended December 31, 2022, adjusted EBITDA decreased 1354%, or (\$20,469), to (\$21,981) compared to Fiscal 2021 (Fiscal 2021: (\$1,512)). Fiscal 2022 Adjusted EBITDA was lower than guidance by approximately \$12 million largely due to higher project costs, additional provisions on trade receivables, and BOO costs not eligible for capitalization.
- Fiscal 2022 net income was impacted by a non-cash loss on an embedded derivative, estimated credit loss provisions, and deferred tax expense.
- Multiple Capital Sale project bookings in Fiscal 2022 across Asia, Europe and North America continued to drive growth in the segment. Two Italian BOO assets commenced operations while upgrades and construction continued on the four remaining BOO assets in our portfolio with expected completion in 2023. The Envo Biogas facility in Tønder, Denmark, which was fully financed by Anaergia, also completed construction of Phase 1 of the project and started injecting gas into the Danish pipeline, which allowed the facility to qualify for a 20-year biogas subsidy with the Danish Energy Agency. Subsequent to year end, the Tønder facility was sold for €56 million (approximately \$80 million) and will help facilitate new growth opportunities in Europe.

Financial Highlights (in thousands)

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Revenue	40,606	46,723	162,853	129,873
Cost of sales	37,376	41,270	134,256	105,019
Gross profit	3,230	5,453	28,597	24,854
Net income (loss)	(37,922)	(8,146)	(74,712)	(14,107)
Net income (loss) per share	(0.56)	(0.01)	(0.83)	(0.53)
Weighted average # of shares	62,324,191	58,749,515	62,783,467	37,648,305
EBITDA*	(27,422)	(3,215)	(55,437)	(10,154)
Adjusted EBITDA*	(15,387)	(776)	(21,981)	(1,512)

* See “Non-IFRS Measures and Industry Metrics”.

BUSINESS OVERVIEW

Our Business

Anaergia is an integrated waste-to-value platform. It was created to eliminate a major source of greenhouse gases (“GHG”) by turning organic waste into RNG, clean water and natural fertilizer through the use of proprietary technologies. Anchored with a proven track record of delivering innovative projects, Anaergia is uniquely positioned to provide integrated solutions to today’s most pressing resource recovery challenges using a broad portfolio of proven technologies and multiple project delivery methods.

Formed in 2007, Anaergia was built on the foundations of highly capable and experienced 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 is one of the world's only companies with 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, 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, Canada and has operations in North America, Asia, Africa and Europe. Since 2010, the Company's technologies have been deployed at over 230 resource recovery facilities in over 17 countries worldwide. During the last two years, we have built, or are in the process of building three of the largest biogas facilities in the world.

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. *Services.* Our Services segment offers third-party operation and maintenance (“O&M”) and field service contracts, generally 5-10 years in length, with customers that typically include municipalities and project developers that utilize our technology solutions.
3. *BOO.* Our BOO segment builds, owns and operates greenfield or brownfield facilities that are expected to generate high margin revenues and long-term predictable cash flows. This segment capitalizes on our ability to acquire and retrofit existing infrastructure and bypass lengthy permitting processes.

Geographical Operations

Globally, there are over two billion tons of waste sent to landfills each year, 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 differentiated set of integrated resource recovery solutions and flexible delivery models, Anaergia is uniquely positioned to capitalize on this global opportunity. The Company's global presence consists of eight office locations and two manufacturing facilities that have helped deploy our technologies at resource recovery facilities in over 17 countries worldwide, including at over 230 facilities since 2010.

The Company's core markets and revenue sources are in North America and Europe where we take advantage of the opportunity created by regulations that drive organics diversion and encourage the use of anaerobic digestion (“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 nine reference projects. One of our references, the RBF, is the largest organic waste processing AD facility in North America.
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 UK, Germany, and the Netherlands.

3. *Asia Pacific (“APAC”)*. In the APAC region, we have focused on the mature markets of Singapore, Australia, Korea and Japan. Our APAC headquarters in Singapore is currently executing projects in China, Taiwan, Singapore and Japan and has a robust incremental pipeline of key Capital Sales projects in the APAC region.

Strategy

Anaergia is driven to innovate by providing its stakeholders a sustainable world for the next generation. 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 and execution and our growing network of owned infrastructure. Key elements of our growth strategy are set out below.

Pursue Organic Growth and Continue To Build Our BOO Segment

Anaergia leverages the breadth of its geographic footprint, invests in innovative solutions and centers decisions around the Company’s values to deliver unparalleled and sustainable results. We plan to grow primarily by leveraging our core expertise in developing, building, selling, operating, maintaining, and owning waste-to-value integrated solutions, proprietary technology and infrastructure to reach additional customers in our target markets. To achieve this goal, we plan to open additional local offices in the regions we currently serve, hire additional sales personnel, and expand geographically by opening offices in regions we do not currently serve in the United States, Europe and Asia.

The Company has one of the largest and most technologically diverse project portfolios in the organic waste-to-value industry, with a \$5.0 billion Revenue Backlog consisting primarily of BOO assets and over 50 potential BOO opportunities in our Development Pipeline.

Meet Market Demand for Cost-Effective, Sustainable Solutions

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 maximize 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.

Expand Through Project Development in Select Markets

We focus our efforts in markets where we currently have projects in operation or under construction, and in other markets with strong economic fundamentals and predictable legal and policy support, including in Europe. These projects are expected by management to produce high-margin, recurring revenue.

We believe that our approach to these opportunities is highly disciplined, both with regard to our required rates of return on invested capital and the manner in which potential new projects will be structured and financed.

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 many 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.

Develop and Commercialize New Technology

We believe that our efforts to protect and expand our business will be enhanced by the development of additional technologies and the continuous improvement of existing technologies.

Grow through Select Strategic Acquisitions

We plan to accelerate the expansion of our product and service offering, customer base and geographic reach through targeted acquisitions that support and contribute to maximizing shareholder value. Our rigorous evaluation process will identify targets that will allow us to expand geographically and broaden our capabilities to expand the size of our addressable market and enhance profitability.

Diversify Global Presence

We plan to continue expanding our presence in global markets at a level proportionate to the size of the business opportunities and stability of the jurisdiction, adjusting as necessary to changes in local conditions. Diversity in our global presence can help us better manage risks from geographically specific events, including changes in regulations, political instability and war.

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. In addition, the Company is building a significant operating base of BOO assets in Europe from which it can expand its footprint in the region. As previously disclosed, Anaergia finances its BOO projects with a combination of equity, project (non-recourse) debt, and on occasion with the sale of preferred equity in some of its projects. Management is continuing to work with Anaergia's financial advisors to provide the Company with enhanced opportunities to access project-specific debt and/or various types of project-related equity for financing 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 conflict in eastern Europe further inflated gas prices prompting the European Union 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. This plan in part relies on increasing supplies of RNG. It sets a target for the EU to produce approximately 1,260,000,000 mmbtu (35 billion cubic meters) of biomethane per year by 2030, approximately two times the previously proposed target. While natural gas prices have significantly declined from all-time highs in 2022 due to a combination of mild weather, increased gas storage and other factors, they remain well above historic averages. The International Energy Agency ("IEA") describes the current gas balance as fragile and highly susceptible to short-term market forces.

In August 2022, the Italian Ministry of Ecological Transition extended by one year the deadline by which qualified biogas projects are required to start operations to be eligible for fixed RNG credits under the Consumption Release Certificates (CICs) program. The current deadline to be eligible for such credits is now December 31, 2023. Anaergia anticipates this development to positively affect its operations as it reduces schedule risk associated with its Italian BOO projects under construction. The extended timeframe also increases the number of additional Italian BOO opportunities the Company can pursue.

In addition to the extension of the existing incentive program, 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 the REPowerEU plan 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 (FiT) paid for 15 years that will begin at €60-70 per 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 EU countries including France, Spain, UK, Portugal, and Germany.

North America

California cities are required to comply with SB1383 (Lara, 2016) regulations that went into effect on January 1, 2022. The City of Los Angeles belatedly implemented its ordinance ("LA Ordinance") in December of 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 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 12.2% with RNG by 2030. That would mean California utilities will have to procure approximately 75,000,000 mmbtu of RNG annually by 2030 with up to 15-year fixed price offtake agreements, which is equivalent to over 75 biogas facilities the size of the RBF. RNG generated from landfill diverted organic waste will be prioritized. SB 1440 strongly supports 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 US states are also pursuing landfill organics diversion goals and programs like California's Low Carbon Fuel Standards ("LCFS"). The voluntary market for RNG is also growing as utilities, refineries and other corporations look to offset their carbon emissions. Many 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 offtake opportunities. Anaergia's agreement with Irving Oil to supply carbon-negative RNG from our Rhode Island plant illustrates the shift in the voluntary markets. Meanwhile Renewable Identification Number ("RIN") pricing has been relatively stable in Fiscal 2022.

In the United States, the Inflation Reduction Act of 2022, puts the U.S. on a path to 40% emissions reductions by 2030. The legislation extends and improves the existing Investment Tax Credit (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 would 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 California LCFS program, these regulations will provide monetary incentives for RNG that is used as a transportation fuel beginning in Fiscal 2023. 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 (CI) RNG.

RIALTO BIOENERGY FACILITY UPDATE

In Fiscal 2021, the decrease in commercial activity resulting from government-mandated restrictions in response to the COVID-19 pandemic resulted in low volumes of organic waste shipped to the RBF as the facility started operations. During Fiscal 2022, the escalation in the volumes of organic waste continued to be slower than previously anticipated, due to a delay in the implementation of the LA Ordinance. However, after its implementation, the LA Ordinance is expected to gradually increase subscription in the RecycLA program for organic waste collection and recycling, with a corresponding gradual increase in the volume of feedstock delivered to the RBF in 2023. The LA Ordinance does contain an enforcement mechanism for the assessment of damages with respect to waste haulers not in compliance, but this will not be enforceable until 2024.

In addition to feedstock supply from the OREX™ line operated by Waste Management at the Sun Valley Recycling Park, two additional OREX™ lines are being installed at facilities operated by Universal Waste Systems ("UWS") in the Los Angeles region, though they have experienced client-driven delays in permitting and construction. The UWS OREX™ line in downtown Los Angeles is expected to start operations in the second quarter of 2023, and the UWS OREX™ line at Santa Fe Springs is expected to start operations in the third quarter of 2023. These installations will further improve feedstock availability for the RBF independently from the status of the implementation of the Los Angeles ordinance. At full capacity, the three OREX™ lines would oversupply the RBF. However, given the delays in the startup of the two additional OREX™ lines, and the delayed implementation of the LA Ordinance, management expects ramp up of feedstock delivered to the RBF to continue increasing at a low rate in 2023.

In Fiscal 2022 the RBF obtained RIN and LCFS approvals after significant administrative delays in a first-of-its-kind application with the US Environmental Protection Agency ("EPA"). Considering the necessary measurement period for gas production to become qualified, the applicable environmental credits will be eligible for monetization of RNG volumes generated after March 2023.

The combination of feedstock and regulatory delays has impacted anticipated revenues for the RBF in Fiscal 2022. Each of the members of the RBF's project company, Rialto Bioenergy Facility, LLC ("**Rialto**"), has provided certain loans to support operations, including debt service. Under these circumstances, the Rialto members will consider the pace of the recovery of feedstock volume in 2023, together with any other impacts on revenues, as part of a comprehensive strategic review to identify and evaluate potential alternatives available to the Rialto members in respect of the RBF.

The feedstock shortfall impacting the RBF is unique due to the roll out of a new organics collection program for the commercial and multifamily sectors in Los Angeles. Elsewhere, Anaergia's BOO assets rely on existing, readily available feedstock, such as sludge at wastewater plants or existing food waste collection, which are not tied to the enforcement of new regulations. Similarly, while regulatory approvals for environmental attributes relating to RNG from the RBF were delayed due to lack of precedents with the regulatory authorities, that is not expected to be an issue for other BOO assets.

RECENT DEVELOPMENTS

- In October 2022, Anaergia received the Biogas Groundbreaker Award for 2022 from the European Biogas Association. The award recognizes the company's growth and dedication to research activities as well as its ambition to accelerate biogas production at scale in Europe and across the world.
- On January 18, 2023, we announced a partnership with Irving Oil to supply Canada's largest refinery with carbon-negative RNG from our Rhode Island Bioenergy Facility ("**RIBF**"). 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 anaerobic digester processing organic waste in New England. The food waste and other organic wastes that would otherwise have been landfilled, are transformed into renewable fuel. About 350 million cubic feet of RNG will be supplied annually into the regional pipeline where it will reduce the need for conventional natural gas supply to Irving Oil's operations, including the Saint John refinery in New Brunswick and also help prevent the release of more than 40,000 metric tonnes per year of carbon dioxide-equivalent greenhouse gas emissions.
- In February 2023, we sold our Envo Biogas plant in Tønder, Denmark for €56 million (approximately \$80 million). The buyer was Copenhagen Infrastructure Partners' (CIP) Advanced Bioenergy Fund I, which is developing biogas projects in Europe and North America. We acquired and began construction on the Tønder project in late 2021. We completed construction on Phase 1 of the project and injected the facility's first biomethane (RNG) into Danish pipelines in November 2022, which allowed the facility to qualify for a 20-year Danish Energy Agency biogas subsidy program. The Tønder facility will produce up to 1.4 million mmbtu annually when fully operational and also has an agreement to supply European Energy A/S ("European Energy") with up to 60,000 tonnes per year of liquefied biogenic carbon dioxide ("CO₂") for a period of 10 years, which will be used for the production of green ethanol as fuel for the world's first container vessel operating on carbon-neutral fuel. We plan to deploy capital from the sale of the Tønder facility towards facilitating additional growth in Europe.
- On March 27, 2023, a statement of claim was issued under the *Class Proceedings Act, 1992* in the Ontario Superior Court of Justice against the Company and others, involving an order for leave to proceed under the Securities Act (Ontario), certifying the proceeding as a class proceeding and appointing a representative plaintiff who claims damages and other relief pertaining to primary and secondary market financial disclosures relating to proposed class period from June 7, 2021 to November 8, 2022. The Company intends to vigorously defend against the claim.
- The Easy Energia and Calimera Bio facilities, two of the six Italian BOO assets, started injecting RNG into the grid in 2022. These two Italian assets combined have the capacity to supply up over 200,000 mmbtu of RNG per year when fully operational. A third facility has been commissioned and an additional three BOO plants are expected to be commissioned in 2023. At full capacity, the six Italian BOO assets will combine to produce over 600,000* mmbtu of RNG per year.

* Includes the approximate mmbtu equivalent of power produced by some BOO facilities

CONTINUING IMPACT OF COVID-19 ON OUR BUSINESS

Management has continued to closely monitor the impact of the COVID-19 pandemic, with a focus on the health and safety of our employees, business continuity and supporting our communities. We also continue to monitor local public health protocols and government-mandated restrictions in the jurisdictions in which we operate and have been adjusting our risk mitigation

measures accordingly. For example, we have established COVID-19 prevention plans at each of our facilities to ensure the safety of our employees.

Our revenue is dependent on the organic waste industry, which has been resilient during the COVID-19 pandemic and is diversified across geographies and customers.

Global supply chain issues directly and indirectly caused by the COVID-19 pandemic affected project execution schedules and completion dates into Fiscal 2022. However, we expect to continue recovering schedules as such impacts diminish with improved forecasting and supply chain adjustments and general experience acquired in response to the COVID-19 pandemic.

Despite the slow market recovery in California, we have seen higher than anticipated growth in Europe and expect an increasing number of project opportunities in Europe have helped compensate for previous COVID-19 impacts on our business.

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 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 are performed or upon transfer of title for products provided.

BOO segment revenue includes revenue from sales 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. The BOO segment also includes construction services revenue from our operating arrangement in Udine, Italy.

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 Capital Sales, cost of sales will generally include engineering labour, product costs and other project-related costs. In our Services segment, cost of sales is mainly comprised of labour, raw materials and spare parts. BOO cost of sales includes labour costs, spare parts, chemicals and other inputs needed to produce RNG and the related by-products.

Operating Expenses

Selling and General 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. Also included are depreciation and amortization related to non-revenue generating tangible and intangible assets.

Research and Development Expenses

Research and development (“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 Grants

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

Other Expenses

Gain/loss on RBF Embedded Derivative

The Rialto Loan Agreement contains an early repayment option, which is treated as an embedded derivative for accounting purposes. The fair value of the repayment option is estimated by calculating the present value of the net interest if the Company exercised the option across a variety of likely scenarios.

Share of Loss in Equity Accounted Investees

Share of loss in equity accounted investees represents the Company's portion of losses in our equity-accounted investees, namely Fibracast and Medcon & db Technologies JV.

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 (Costs) Income

Finance costs include 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 Loss (Gain)

Foreign exchange loss (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 Expense

Income tax expense represents the Company's effective tax cost for the relevant period based on the Company's taxable income.

RESULTS OF OPERATIONS

The following table outlines our consolidated results and earnings for Q4 2022, Q4 2021, Fiscal 2022 and Fiscal 2021:

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Revenue	40,606	46,723	162,853	129,873
Cost of sales	37,376	41,270	134,256	105,019
Gross profit	<u>3,230</u>	<u>5,453</u>	<u>28,597</u>	<u>24,854</u>
Selling and general administrative expenses	23,165	9,597	58,565	40,576
Research and development expenses	1,137	679	2,609	1,804
Government grants	75	(1,448)	(144)	(2,833)
Loss from operations	<u>(21,147)</u>	<u>(3,375)</u>	<u>(32,433)</u>	<u>(14,693)</u>
Gain / (loss) on Rialto embedded derivative	2,324	2,160	(16,676)	5,673
Loss on equity-accounted investees	(1,237)	(3,033)	(5,860)	(3,316)
Other losses	(8,059)	(381)	(4,231)	(2,420)
Finance income (costs)	(1,034)	(307)	(1,211)	917
Foreign exchange gain / (loss)	(158)	432	222	1,248
Loss before income taxes	<u>(29,311)</u>	<u>(4,504)</u>	<u>(60,189)</u>	<u>(12,591)</u>
Income tax expense	(8,611)	(3,642)	(14,523)	(1,516)
Net loss	<u>(37,922)</u>	<u>(8,146)</u>	<u>(74,712)</u>	<u>(14,107)</u>

Analysis of Results

Revenue

Revenue by segment	Q4 2022	Q4 2021	Change (\$)	Change (%)	Fiscal 2022	Fiscal 2021	Change (\$)	Change (%)
Capital Sales	21,997	39,071	(17,074)	-43.7%	123,074	112,615	10,459	9.3%
Services	2,927	4,210	(1,283)	-30.5%	15,600	12,185	3,415	28.0%
BOO	15,682	3,442	12,240	355.6%	24,179	5,073	19,106	376.6%
Total Revenue	40,606	46,723	(6,117)	-13.1%	162,853	129,873	32,980	25.4%

Q4 2022 compared to Q4 2021

Revenue of \$40,606 for Q4 2022 decreased (13.1%), or \$6,117, compared to Q4 2021 (Q4 2021: \$46,723). Revenue decreased due to delays in projects.

Revenue for our Capital Sales segment of \$21,997 for Q4 2022 decreased (43.7%), or (\$17,074), compared to Q4 2021 (Q4 2021: \$39,071). The decrease was due to delays in projects.

Revenue for our Services segment of \$2,927 for Q4 2022 decreased (30.5%), or (\$1,283), compared to Q4 2021 (Q4 2021: \$4,210). The decrease is due to decreases in service contracts.

Revenue for our BOO segment of \$15,682 for Q4 2022 increased 355.6%, or \$12,240, compared to Q4 2021 (Q4 2021: \$3,442). Revenue from our BOO segment has increased due to the operating arrangement on our Bionet project in Udine, Italy and our BOO projects in North America recognizing revenue prior to their commercial operations date.

Fiscal 2022 compared to Fiscal 2021

For Fiscal 2022, revenue of \$162,853 increased 25.4%, or \$32,980, compared to Fiscal 2021 (2021: \$129,873). The increase was driven by BOO segment revenue driven by our operating arrangement in Udine, Italy and Capital Sales projects under execution in the EMEA market. Specifically, government incentives in Italy have driven the development of facilities to divert organic waste from landfills and to produce RNG.

Revenue for our Capital Sales segment of \$123,074 for Fiscal 2022 increased 9.3%, or \$10,459, compared to Fiscal 2021 (Q4 2021: \$112,615). Revenue increased as the Company nears completion on several large Capital Sales projects.

Revenue for our Services segment of \$15,600 for Fiscal 2022 increased 28.0%, or \$3,415, compared to Fiscal 2021 (Fiscal 2021: \$12,185). Our Services revenue increased due to increased conversion from Capital Sales projects to O&M contracts that started during the period.

Revenue for our BOO segment of \$24,179 for Fiscal 2022 increased 376.6%, or \$19,106, compared to Fiscal 2021 (Fiscal 2021: \$5,073). Revenue from our BOO segment has increased due to our operating arrangement in Udine, Italy and our BOO projects in North America recognizing revenue prior to their commercial operations date.

Currently, revenues are concentrated in our Capital Sales segment as the market is being developed. As more BOO facilities become operational, our revenue composition is expected to shift towards the recurring BOO revenue generated from tipping fees and RNG offtake sales.

Revenue by geography	Q4 2022	Q4 2021	Change (\$)	Change (%)	Fiscal 2022	Fiscal 2021	Change (\$)	Change (%)
North America	5,359	6,567	(1,208)	-18.4%	37,316	29,716	7,600	25.6%
EMEA	33,675	38,004	(4,329)	-11.4%	120,452	92,136	28,316	30.7%
APAC	1,572	2,152	(580)	-27.0%	5,085	8,021	(2,936)	-36.6%
Total Revenue	40,606	46,723	(6,117)	-13.1%	162,853	129,873	32,980	25.4%

Q4 2022 compared to Q4 2021

Revenue in North America of \$5,359 for Q4 2022 decreased (18.4%), or (\$1,208), compared to Q4 2021 (Q4 2021: \$6,567). The decrease was primarily due to decreases in the Company's Capital Sales operations in North America.

Revenue in the EMEA region of \$33,675 for Q4 2022 decreased (11.4%), or (\$4,329), compared to Q4 2021 (Q4 2021: \$38,004). The decrease was driven by lower Capital Sales revenue in Italy due to a combination of some projects nearing completion and some projects facing customer delays.

Revenue in the APAC region of \$1,572 for Q4 2022 decreased (27.0%), or (\$580), compared to Q4 2021 (Q4 2021: \$2,152). The decrease was driven primarily by the winding down of a sizable revenue-producing Capital Sales project during Q4 2022.

Fiscal 2022 compared to Fiscal 2021

Revenue in North America of \$37,316 for Fiscal 2022 increased 25.6%, or \$7,600, compared to Fiscal 2021 (Fiscal 2021: \$29,716). The increase was primarily due to increases in the Company's O&M services and BOO operations in North America that have several projects generating revenue prior to their in service date.

Revenue in the EMEA region of \$120,452 for Fiscal 2022 increased 30.7%, or \$28,316, compared to Fiscal 2021 (Fiscal 2021: \$92,136). The increase was driven primarily by increased Capital Sales revenue and BOO segment revenue driven by our operating arrangement in Udine in Italy during Fiscal 2022.

Revenue in the APAC region of \$5,085 for Fiscal 2022 decreased (36.6%), or (2,936), compared to Fiscal 2021 (Fiscal 2021: \$8,021). The decrease was driven primarily by the winding down of a sizable revenue-producing Capital Sales project during Fiscal 2022 and customer delays on a large new Capital Sales project.

Cost of Sales

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Cost of sales	37,376	41,270	(3,894)	-9.4%	134,256	105,019	29,237	27.8%

Cost of sales of \$37,376 for Q4 2022 decreased (9.4%), or (\$3,894), compared to Q4 2021 (Q4 2021: \$41,270). As described in the "Revenue" section above, the decreases were driven by decreased activity in EMEA and North America related to our Capital Sales segment for the quarter. Cost of sales of \$134,256 for Fiscal 2022 increased 27.8%, or \$29,237, compared to Fiscal 2021 (Fiscal 2021: \$105,019). As described in the "Revenue" section above, the increases were driven by increased activity in our Capital Sales and BOO segments in EMEA and our BOO segment in North America during the year.

Gross Profit

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Total gross profit	3,230	5,453	(2,223)	-40.8%	28,597	24,854	3,743	15.1%

Gross profit of \$3,230 for Q4 2022 decreased (40.8%), or (\$2,223), compared to Q4 2021 (Q4 2021: \$5,453). The decrease in gross profit was due to project delays and pricing increases during the quarter. Gross profit of \$28,597 for Fiscal 2022 increased 15.1%, or \$3,743, compared to Fiscal 2021 (Fiscal 2021: \$24,854). As described in the "Revenue" section above, the increases were driven by Capital Sales and BOO activity in the EMEA market and BOO revenue from plants prior to commercial operations in North America during the year.

Operating Expenses

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Selling and general administrative expenses	23,165	9,597	13,568	141.4%	58,565	40,576	17,989	44.3%
Research and development expenses	1,137	679	458	67.5%	2,609	1,804	805	44.6%
Government grants	75	(1,448)	1,523	-105.2%	(144)	(2,833)	2,689	-94.9%
	24,377	8,828	15,549	176.1%	61,030	39,547	21,483	54.3%

Q4 2022 compared to Q4 2021

Selling and general administrative expenses of \$23,165 for Q4 2022 increased 141.4%, or \$13,568, compared to Q4 2021 (Q4 2021: \$9,597). Overhead costs continue to increase as the Company grows. An increase in our trade receivable and contract asset estimated credit losses due to increased receivables also contributed to an increase in overhead costs.

Research and development expenses of \$1,137 for Q4 2022 increased 67.5%, or \$458, compared to Q4 2021 (Q4 2021: \$679). The increase was a result of the Company focusing its efforts to refine our existing technology and capital sale product offerings.

Grant expense of \$75 for Q4 2022 increased (105.2%), or \$1,523, compared to Q4 2021 (Q4 2021: (\$1,448)). The increase of expense from grant income was a result of a write-off of government grants receivable on the statement of financial position.

Fiscal 2022 compared to fiscal 2021

Selling and general administrative expenses of \$58,565 for Fiscal 2022 increased 44.3%, or \$17,989, compared to Fiscal 2021 (Fiscal 2021: \$40,576). The increase was primarily driven by additional overhead spending as a result of overall Company growth and our ERP system integration.

Research and development expenses of \$2,609 for Fiscal 2022 increased 44.6%, or \$805, compared to Fiscal 2021 (Fiscal 2021: \$1,804). The increase was a result of the Company focusing its efforts to develop commercial products.

Grant income of (\$144) for Fiscal 2022 decreased (94.92%), or \$2,689, compared to Fiscal 2021 (Fiscal 2021: (\$2,833)). The decrease was driven by a decrease in grants related to our BOO operations.

Other Expenses

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change</u> <u>(\$)</u>	<u>Change</u> <u>(%)</u>	<u>Fiscal</u> <u>2022</u>	<u>Fiscal</u> <u>2021</u>	<u>Change</u> <u>(\$)</u>	<u>Change</u> <u>(%)</u>
Gain / (loss) on Rialto embedded derivative	2,324	2,160	164	7.6%	(16,676)	5,673	(22,349)	-394.0%
Share of loss in equity-accounted investees	(1,237)	(3,033)	1,796	-59.2%	(5,860)	(3,316)	(2,544)	76.7%
Other gains / (losses)	(8,059)	(381)	(7,678)	2015.2%	(4,231)	(2,420)	(1,811)	74.8%
Finance (costs) income	(1,034)	(307)	(727)	236.8%	(1,211)	917	(2,128)	-232.1%
Foreign exchange gain / (loss)	(158)	432	(590)	-136.6%	222	1,248	(1,026)	-82.2%
Income tax benefit (expense)	(8,611)	(3,642)	(4,969)	136.4%	(14,523)	(1,516)	(13,007)	858.0%

Q4 2022 compared to Q4 2021

Gain on RBF embedded derivative

The gain (loss) on the RBF embedded derivative of \$2,324 for Q4 2022 decreased 7.6%, or \$164, compared to Q4 2021 (Q4 2021: \$2,160). The gain was driven by changes in interest rates.

Share of loss in equity accounted investees

The share of loss in equity accounted investees of (\$1,237) for Q4 2022 increased (59.2%), or \$1,796, compared to Q4 2021 (Q4 2021: (\$3,033)). The losses are driven by the Company's share of Fibracast Ltd.'s net losses.

Other gains (losses)

Other losses of (\$8,059) for Q4 2022 decreased by 2015.2%, or (\$7,678), compared to Q4 2021 (Q4 2021: (\$381)). The main driver of these losses is an 'expected credit loss' relating to loans made to the Company's related parties.

Finance income (costs)

Finance income (costs) was a net cost of (\$1,034) for Q4 2022, representing a decrease of 236.8%, or (\$727), compared to Q4 2021 (Q4 2021: (\$307)). The increase in finance cost is due to increased debt funding from third-parties.

Foreign exchange gain (loss)

Foreign exchange gain (loss) of (\$158) for Q4 2022 decreased by (136.6%), or (\$590), compared to Q4 2021 (Q4 2021: a gain of \$432). The decrease was primarily due to exposure coming from foreign currency transactions.

Income tax benefit (expense)

Income tax benefit of (\$8,611) for Q4 2022 decreased by 136.4%, or (\$4,969), compared to Q4 2021 (Q4 2021: an expense of (\$3,642)). The decrease in the income tax expense relates to a decrease in the deferred tax assets due to write-off of R&D credit, due to allocation of losses for our pass-through entities and non-recognition of deductible temporary differences.

Fiscal 2022 compared to Fiscal 2021

Gain (loss) on RBF embedded derivative

The loss on the RBF embedded derivative of (\$16,676) for Fiscal 2022 increased (394.0%), or (\$22,349), compared to Fiscal 2021 (Fiscal 2021: a gain of \$5,673). The increase in loss was driven by higher interest rates.

Share of loss in equity accounted investees

The share of loss in equity accounted investees of (\$5,860) for Fiscal 2022 increased 76.72%, or (\$2,544), compared to Fiscal 2021 (Fiscal 2021: loss of (\$3,316)). The losses are primarily driven by the Company's share of Fibracast Ltd.'s net losses.

Other losses

Other losses of (\$4,231) for Fiscal 2022 decreased by 74.8%, or (\$1,811), compared to Fiscal 2021 (Fiscal 2021: (\$2,420)). The main driver of these losses is a provision for expected credit loss relating to loans made to the Company's related party which was offset by increased gains recognized for the acquisition of control of Bioener.

Finance income (costs)

Finance income (cost) was costs of (\$1,211) for Fiscal 2022, representing a decrease of (232.1%), or (\$2,128), compared to Fiscal 2021 (Fiscal 2021: a net income of \$917). The increase in finance cost is due to increased debt funding in Europe and North America.

Foreign exchange gain (loss)

Foreign exchange gain (loss) was a gain of \$222 for Fiscal 2022, representing a decrease of (82.2%), or (\$1,026), compared to Fiscal 2021 (Fiscal 2021: a gain of \$1,248). The change was primarily due to the exposure coming from foreign currency transactions.

Income tax benefit (expense)

Income tax expense of (\$14,523) for Fiscal 2022 increased by 858.0%, or (\$13,007), compared to Fiscal 2021 (Fiscal 2021: an expense of (\$1,516)). The increase in the income tax expense relates to a decrease in the deferred tax assets due to write-off of our R&D credit, due to allocation of losses for our pass-through entities and non-recognition of deductible temporary differences.

EBITDA and Adjusted EBITDA

	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
EBITDA*	(27,422)	(3,215)	(55,437)	(10,154)
Adjusted EBITDA*	(15,387)	(776)	(21,981)	(1,512)

Q4 2022 compared to Q4 2021

EBITDA* of (\$27,422) for Q4 2022 decreased 753%, or (\$24,207), compared to Q4 2021 (Q4 2021: (\$3,215)). The decrease was driven by provision for customer claim, remeasurement of debt, credit loss recorded in Italy (see explanation of 'Other Losses' above), increases in overhead expenses and decreases in gross profit for the quarter.

Adjusted EBITDA* of (\$15,387) for Q4 2022 decreased 1883%, or (\$14,611), compared to Q4 2021 (Q4 2021: (\$776)). The decrease was driven by increases in overhead expenses and a decrease in gross profit for the quarter.

Fiscal 2022 compared to Fiscal 2021

EBITDA* of (\$55,437) for Fiscal 2022 decreased 446%, or (\$45,283), compared to Fiscal 2021 (Fiscal 2021: (\$10,154)). The decrease was driven by \$22,349 change in FV of embedded derivative, credit loss recorded in Italy (see explanation of 'Other Losses' above) and increases in overhead expenses.

Adjusted EBITDA* of (\$21,981) for Fiscal 2022 decreased 1354%, or (\$20,469), compared to Fiscal 2021 (Fiscal 2021: (\$1,512)). The increase in negative adjusted EBITDA was driven by increases in overhead expenses compared to growth in gross profit.

* See "Non-IFRS Measures and Industry Metrics".

Revenue Backlog

	As at December 31, 2022	As at December 31, 2021
Revenue Backlog		
Capital Sales	132	83
Services	176	152
BOO*	4,680	4,398
Total Revenue Backlog	4,988	4,633

*Includes the Tonder, Denmark facility that was sold subsequent to the end of Fiscal 2022, representing approximately \$1,134 of Revenue Backlog.

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA

The following table shows a reconciliation of net income (loss) to EBITDA* and Adjusted EBITDA* for Q4 2022, Q4 2021, Fiscal 2022 and Fiscal 2021:

	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
Net earnings (loss)	(37,921)	(8,146)	(74,712)	(14,107)
Finance income (cost)	1,034	307	1,211	(917)
Depreciation and amortization	854	982	3,541	3,354
Income tax expense	8,611	3,642	14,523	1,516
EBITDA*	(27,422)	(3,215)	(55,437)	(10,154)
Rialto non-controlling interest	(647)	—	(647)	—
Share-based compensation expense	508	134	1,335	539
Change in fair value of equity investment	656	—	656	(2,346)
(Gain) loss on RBF embedded derivative	(2,324)	(2,160)	16,676	(5,673)
Remeasurement of previously held interest in Bioener	92	—	(3,272)	—
Gain on warrant forfeitures	—	—	—	(615)
Stock warrant valuation (gain) loss	—	—	—	914
Share of loss in equity accounted investees	581	3,033	5,204	5,662
Provision for customer claim	4,760	—	4,760	3,473
Remeasurement of debt	3,164	—	3,164	—
Gain on debt restructuring/ gain on extinguishment of liability	—	(1,115)	—	(1,115)
Other (gains) losses (1)	4,803	1,496	4,339	1,740
ERP customization and configuration costs (2)	262	1,675	1,178	3,171
Costs related to the Offering (3)	22	(192)	285	4,140
Foreign exchange (gain) loss	158	(432)	(222)	(1,248)
Adjusted EBITDA*	(15,387)	(776)	(21,981)	(1,512)

* See "Non-IFRS Measures and Industry Metrics".

(1) The other (gains) losses are other gains and losses that are included as other gains and losses on our statement of operations and comprehensive income (loss) less the ERP Customization and configuration costs included in (2) below.

(2) ERP customization and configuration costs are costs that are included in other gains and losses on our statement of operations and comprehensive income (loss)

(3) Costs related to the Bought deal offering and IPO are included in our statement of operations and comprehensive income (loss) as selling, general and administrative costs, these are costs that represent accounting and consultant fees that were not treated as share issuance costs.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	As at	As at
	December 31, 2022	December 31, 2021
Current assets	205,270	226,362
Non-current assets	729,835	467,024
Current liabilities	171,743	109,186
Non-current liabilities	421,222	260,804
Equity	342,140	323,396

The influx of proceeds from the bought deal offering and loan advances, and the continued investment in our BOO facilities during Fiscal 2022 resulted in an increase in our non-current asset balance, increase in our liabilities as well as our overall equity balance at December 31, 2022.

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 are subject to externally imposed capital requirements through loans of certain subsidiary entities and there has been no change with respect to the overall capital risk management strategy during Q4 2022 or Fiscal 2022. We expect that funds generated from operations, financing activities and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in Fiscal 2023.

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, BOO capital expenditures are expected to be spent developing, acquiring and building BOO assets that are expected to begin operations by the end of Fiscal 2023. 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.

Failure to achieve or maintain our liquidity objectives could have a material adverse effect on our financial condition and results of operations, including our ability to continue as a going concern. There are also various risks and uncertainties affecting our ability to achieve our liquidity objectives, including, but not limited to, the ability to successfully execute our business plan and general global economic conditions, many of which are beyond our control. We may also choose to pursue additional liquidity through the issuance of debt or equity in private or public market financing. No assurance can be given that any such additional liquidity will be available or that, if available, it can be obtained on terms favorable to the Company.

The number and size of projects have been larger than anticipated at the time of our initial public offering and, in addition, we are seeing rapid growth in highly profitable opportunities, and the potential to accelerate our project acquisitions in Europe. We see a historic opportunity for BOO projects and Capital Sales in Europe over the next several years given the current circumstances with gas markets and de-carbonization goals.

Use of Proceeds

The aggregate gross proceeds of the IPO, including the partial exercise of the over-allotment option by the underwriters, were \$199,367. As of December 31, 2022, we have used approximately all of the IPO proceeds, the majority of which was spent on the development and acquisition of BOO assets.

The growth in the Revenue Backlog and Development Pipeline has been larger than envisioned at the time of the IPO. This has accelerated our BOO capital expenditures with many upcoming investment opportunities in the near future. We anticipate to

pursue an additional ~\$300 million of proportionate, probability weighted capital expenditures in respect of BOO assets over the next 5 years.

On April 19, 2022, we raised gross proceeds of approximately \$60 million from a bought deal offering, to further fund our development and construction of BOO assets in the Company's Revenue Backlog and Development Pipeline, and for general corporate purposes. As of December 31, 2022, we have used substantially all of the bought deal proceeds as described in the final short form prospectus dated April 12, 2022.

In supporting the construction of BOO assets currently in execution and the development of other BOO assets in its 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 contribute capital to a project before debt financing is in place and then 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 will be contributed by the Company to a particular BOO asset changes over time and cannot be determined with precision in advance.

ANALYSIS OF CASH FLOWS

Cash Flows

	Fiscal 2022	Fiscal 2021
Cash provided by (used in) operating activities	(30,558)	(59,598)
Cash provided by (used in) investing activities	(192,504)	(138,602)
Cash provided by (used in) financing activities	198,135	239,550
Effect of exchange rate differences	988	(3,197)
Cash and cash equivalents, beginning of period	79,317	41,164
Cash and cash equivalents, end of period	55,378	79,317

Cash Provided by (Used in) Operating Activities

Changes to cash used in operating activities for both Fiscal 2022 and Fiscal 2021 were mainly due to net changes in working capital, which reflect the interim and unusual nature of this quarter during which funding of the Italian BOO projects was mainly done using our working capital, as their project debt financing was still being put in place.

Cash Provided by (Used in) Investing Activities

Changes to cash used in investing activities for both Fiscal 2022 and Fiscal 2021 were mainly due to continued investments in BOO assets.

Cash Provided by (Used in) Financing Activities

Changes to cash provided by financing activities for Fiscal 2022 was mainly due to proceeds received from the bought deal offering and project-level debt facilities. For Fiscal 2021, activity was mainly due to proceeds from the IPO.

CONTRACTUAL OBLIGATIONS

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at December 31, 2022.

	As at December 31, 2022	
	Borrowings	Leases
2023	35,943	1,157
2024 - 2027	179,216	8,412
Beyond	398,430	27,279
	613,589	36,848

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2022, Anaergia had commitments of \$63,526 relating to capital expenditures for our North America and European BOOs. As at December 31, 2022, Anaergia had contingent liabilities of \$46,025 relating to bonds and guarantees issued by financial institutions to Anaergia Italy SRL and other Canadian entities.

RELATED PARTY TRANSACTIONS

Refer to note 29 to the 2022 Annual Financial Statements for details on related party transactions.

FINANCIAL OUTLOOK

There is no change to the previously disclosed guidance for Fiscal 2023. Please refer to our press release dated December 7, 2022 available on SEDAR at www.sedar.com.

OUTSTANDING SHARES DATA

The table below indicates the number of outstanding Multiple Voting Shares, Subordinate Voting Shares, Class A non-voting common shares, Class C preferred shares, special shares and common shares outstanding as of the dates indicated:

	As at December 31, 2022	As at December 31, 2021
Multiple voting shares	32,222,369	32,222,369
Subordinate voting shares	32,212,153	26,528,500

QUARTERLY INFORMATION

The following table sets forth selected unaudited quarterly statements of operations data for Q4 2022, Q3 2022, Q2 2022, Q1 2022, Q4 2021, Q3 2021, Q2 2021, and Q1 2021. The information for each of these quarters has been prepared on the same basis as the 2022 Annual Financial Statements. This data should be read in conjunction with the fiscal 2022 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	Q4 2022	Q3 2022 Adjusted (1)	Q2 2022 Adjusted (1)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	40,606	45,027	42,318	35,616	46,723	27,729	26,822	28,599
Loss from operations	(21,147)	(2,619)	(4,877)	(4,042)	(3,375)	(6,686)	(2,017)	(2,615)
Net income (loss)	(37,922)	(4,271)	(16,425)	(16,390)	(8,146)	(1,793)	1,207	(5,375)

Net loss of \$(37,922) for Q4 2022 increased 4,976.6%, or \$37,175, compared to Q3 2022 (Q3 2022: net loss of \$747). The increase was mainly driven by the increased loss in our equity method investment of Fibracast, lower gross profit due to project cost overruns and increases in SG&A related to one-time costs due to professional services fees and increased overhead to support business development activities on-going in the European and US markets.

Net loss of \$(37,922) for Q4 2022 increase 365.5%, or \$39,776, compared to Q4 2021 (Q4 2021: net loss of \$8,146). The increase was mainly driven by higher SG&A noted above and decreased revenue from capital sales.

(1) Amendment To Previously Issued Interim Financial Information For Timing Of Acquisition Of Control Of An Italian Subsidiary

Anaergia had previously concluded that it had acquired a controlling interest in Bioener on August 3, 2022 and therefore consolidated the entity from that date. During completion of the financial statements and related audit for the year ended December 31, 2022, it was determined that the acquisition of control occurred on May 30, 2022. Management had previously concluded that the registration of the acquired shares with the Italian Business Register on August 3, 2022 was determinative regarding the acquisition of control, but further evaluation concluded that Anaergia exercised control beginning on May 30, 2022, which is the date the shares of Bioener were subscribed and paid for.

The foregoing does not impact the Company's ongoing operations, cash position or future cash flows related to Bioener. The principal income statement impact relates to the gain on derecognition of our existing equity interest in Bioener which occurs under IFRS 3 when a controlling interest is acquired. This impact relates to a specific non-cash line item in the statement of operations: moving the gain from the three months ended September 30, 2022, to the three months ended June 30, 2022. The amount of the gain is \$3,272, which has an insignificant impact on the Company's gross margin and adjusted EBITDA related to incremental Bioener operating activities in the period from June 1, 2022 to August 2, 2023. The balance sheet impacts as at September 30, 2022 and December 31, 2022 are insignificant. The effect of such adjustments are as follows:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenue	42,181	137	42,318	77,797	137	77,934
Cost of sales	34,198	211	34,409	62,471	211	62,682
Gross profit	7,983	(74)	7,909	15,326	(74)	15,252
Loss from operations	(4,785)	(92)	(4,877)	(8,827)	(74)	(8,901)
Gain on control of Bioener	—	3,324	3,324	—	3,324	3,324
Profit (loss) before income taxes	(19,328)	3,228	(16,100)	(32,493)	3,228	(29,265)
Net income (loss)	(19,653)	3,228	(16,425)	(36,043)	3,228	(32,815)
Total comprehensive income (loss)	(18,758)	3,228	(15,530)	(43,809)	3,228	(40,581)
Net loss attributable to shareholders	(13,546)	3,228	(10,318)	(25,828)	3,228	(22,600)
Net loss attributable to non-controlling interests	(6,107)	—	(6,107)	(10,215)	—	(10,215)
Basic loss per share	\$ (0.11)	\$ 0.05	\$ (0.06)	\$ (0.26)	\$ 0.05	\$ (0.21)
Diluted loss per share	\$ (0.11)	\$ 0.05	\$ (0.06)	\$ (0.26)	\$ 0.05	\$ (0.21)

Consolidated Statement of Financial Position	As at June 30, 2022 - as reported		Adjustment	As at June 30, 2022 - as adjusted	
Cash and cash equivalents	63,772		626		64,398
Trade and other receivables	36,036		944		36,980
Other current assets	10,247		1,278		11,525
Total current assets	222,338		2,848		225,186
Property, plant and equipment, net	387,596		1,096		388,692
Intangible assets, net	2,601		12,214		14,815
Goodwill	2,171		1,166		3,337
Equity-accounted investees	27,064		(2,899)		24,165
Long-term contract assets	—		16,842		16,842
Other long-term assets	85,911		(7,692)		78,219
Total non-current assets	539,519		20,727		560,246
Total assets	761,857		23,576		785,433
Accounts payable	38,131		1,237		39,368
Accrued liabilities and provisions	64,114		6,775		70,889
Total current liabilities	136,148		8,012		144,160
Long-term debt	225,179		5,800		230,979
Deferred tax liabilities	—		1,732		1,732
Total non-current liabilities	292,101		7,532		299,633
Total liabilities	428,249		15,544		443,793
Non-controlling interests	101,036		4,804		105,840
Deficit	(196,762)		3,228		(193,534)
Total equity	333,608		8,032		341,640
Total liabilities and equity	761,857		23,576		785,433

	Six months ended June 30, 2022 - as previously reported	Adjustment	Six months ended June 30, 2022 - adjusted
Cash generated by (used in)			
Operating Activities			
Net earnings (loss)	(36,043)	3,228	(32,815)
Income tax expense	—	—	—
Gain on control of Bioener	—	(3,324)	(3,324)
Net change in operating assets and liabilities	(1,683)	722	(961)
Cash used by operating activities	(8,850)	626	(8,224)
Investing Activities			
Cash used in investing activities	(85,868)	—	(85,868)
Financing Activities			
Cash provided by financing activities	80,989	—	80,989
Net increase (decrease) in cash and cash equivalents during the period	(15,545)	626	(14,919)
Cash and short-term investments, end of year	63,772	626	64,399

	As at June 30, 2022 - as previously reported	Adjustment	As at June 30, 2022 - as adjusted
Consolidated Statement of Changes in Equity			
Total equity as at January 1, 2022	323,396	—	323,396
Net loss	(36,043)	3,228	(32,815)
Other comprehensive income (loss)	(7,766)	—	(7,766)
Total comprehensive income (loss)	(43,809)	3,228	(40,581)
Non -controlling interests	101,036	4,804	105,840
Total equity as at June 30, 2022	333,608	8,032	341,640

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenue	\$ 44,450	\$ 577	\$ 45,027	\$ 122,247	\$ 714	\$ 122,961
Cost of sales	\$ 34,409	\$ 737	\$ 35,146	\$ 96,880	\$ 941	\$ 97,821
Gross profit	\$ 10,041	\$ (160)	\$ 9,881	\$ 25,367	\$ (228)	\$ 25,139
Loss from operations	(2,459)	(160)	(2,619)	(11,286)	(228)	(11,514)
Gain on control of Bioener	\$ 3,364	\$ (3,364)	—	\$ 3,364	\$ (40)	\$ 3,324
Profit (loss) before income taxes	1,615	(3,524)	(1,909)	(30,878)	(268)	(31,146)
Net income (loss)	(747)	(3,524)	(4,271)	(36,790)	(268)	(37,058)
Total comprehensive income (loss)	4,358	(3,524)	834	(39,451)	(268)	(39,719)
Net loss attributable to shareholders	(722)	(3,524)	(4,246)	(26,550)	(268)	(26,818)
Net loss attributable to non-controlling interests	(25)	—	(25)	(10,240)	—	(10,240)
Basic loss per share	\$ (0.01)	\$ (0.05)	\$ (0.06)	\$ (0.27)	\$ (0.00)	\$ (0.27)
Diluted loss per share	\$ (0.01)	\$ (0.05)	\$ (0.06)	\$ (0.27)	\$ (0.00)	\$ (0.27)

	As at September 30, 2022 - as reported	Adjustment	As at September 30, 2022 - as adjusted
Consolidated Statement of Financial Position			
Property, plant and equipment, net	445,346	(963)	444,383
Right of use assets, net	16,194	(678)	15,516
Intangible assets, net	4,460	10,394	14,854
Goodwill	6,683	(3,402)	3,281
Deferred tax assets	5,367	(1,047)	4,320
Long-term contract assets	23,327	(4,537)	18,790
Other long-term assets	93,352	1,212	94,564
Total non-current assets	634,300	978	635,278
Total assets	914,067	978	915,045
Long-term debt	337,640	86	337,726
Lease liability	16,640	(678)	15,962
Deferred tax liabilities	—	1,732	1,732
Total non-current liabilities	406,903	1,140	408,043
Total liabilities	557,495	1,140	558,635
Non-controlling interests	120,545	106	120,651
Deficit	(208,246)	(268)	(208,514)
Total equity	356,572	(162)	356,410
Total liabilities and equity	914,067	978	915,045

	Nine months ended Sep 30, 2022 - as previously reported	Adjustment	Nine months ended Sep 30, 2022 - adjusted
Cash generated by (used in)			
Operating Activities			
Net earnings (loss)	(36,790)	(268)	(37,058)
Income tax expense	—	—	—
Gain on control of Bioener	(3,364)	(40)	(3,404)
Net change in operating assets and liabilities	(5,802)	308	(5,494)
Cash used by operating activities	(14,724)	—	(14,724)
Investing Activities			
Cash used in investing activities	(136,386)	—	(136,386)
Financing Activities			
Cash provided by financing activities	185,496	—	185,496
Net increase (decrease) in cash and cash equivalents during the period	30,818	—	30,818
Cash and short-term investments, end of year	110,135	—	110,135

	As at September 30, 2022 - as previously reported	Adjustment	As at September 30, 2022 - as adjusted
Consolidated Statement of Changes in Equity			
Total equity as at January 1, 2022	323,396	—	323,396
Net loss	(36,790)	(268)	(37,058)
Other comprehensive income (loss)	(2,661)	—	(2,661)
Total comprehensive income (loss)	(39,451)	(268)	(39,719)
Non -controlling interests	120,545	106	120,651
Total equity as at June 30, 2022	356,572	(162)	356,410

* See “Non-IFRS Measures and Industry Metrics”.

RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in our Annual Information Form. The risks and uncertainties described below and in our 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 (which are summarized below), please see our Annual Information Form and other filings with Canadian Regulatory Authorities (www.sedar.com).

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 Board of directors 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 the quarter ended December 31, 2022, 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 CEO and CFO concluded that the Company’s disclosure controls and procedures, and internal controls over financial reporting, for the periods were not effective in respect of the analysis and evaluation of certain technical accounting matters.

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 matters. This deficiency required the Company to make adjustments prior to or in connection with the issuance of the December 31, 2022 consolidated financial statements.

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 light of the material weakness, management has commenced a plan to add additional internal technical accounting specialist resources including in respect of its international operations and the involvement of one of the big 4 international professional services firms in the financial reporting process.

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. The material weakness will only be considered as remediated when the applicable control operates for a sufficient period of time and management has concluded through testing, that the control is 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.

FINANCIAL INSTRUMENTS

As at December 31, 2022, the Company had an embedded prepayment option on our outstanding Rialto Bonds that was an asset balance of \$8,669. The embedded derivative assets are discussed in detailed in the Section "Financial Instruments - classification and measurement" in Note 2.3 (O) to the 2022 Annual Financial Statements.

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, up to the date of issuance of our financial statements are disclosed below. We intend to adopt these 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.sedar.com.