EVERGEN
Infrastructure Corp.

Unaudited Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

NOTICE OF NO REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of EverGen Infrastructure Corp. for the three and six months ended June 30, 2022 have been prepared by and are the responsibility of the Company's management.

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

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

All amounts in Canadian $000s, unless otherwise indicated

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at	Notes	June 30, 2022	December 31, 2021
Current assets			
Cash and cash equivalents		17,379	19,597
Restricted cash	3	17	2,688
Accounts receivable	4	1,929	2,122
Prepaid expenses and other assets		843	612
		20,168	**25,019**
Property, plant and equipment	5	19,805	17,007
Intangible assets	6	23,400	24,376
Goodwill		14,208	14,208
Equity accounted investments	7	1,000	-
Total assets		**78,581**	**80,610**
Current liabilities			
Accounts payable and accrued liabilities		2,245	3,197
Loans payable	8	700	700
Lease liabilities	9	384	298
Deferred revenue		36	-
Contingent consideration		279	279
		3,644	**4,474**
Loans payable	8	5,408	5,758
Lease liabilities	9	3,669	2,999
Deferred tax		5,376	6,007
Total liabilities		**18,097**	**19,238**
Shareholders' equity			
Share capital	10b	60,304	60,597
Share warrants		3,484	3,484
Contributed surplus	10a	1,572	1,477
Accumulated deficit	10b	(4,876)	(4,186)
Total shareholders' equity		**60,484**	**61,372**
Total liabilities and shareholders' equity		**78,581**	**80,610**

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

Subsequent events note 19

On behalf of the board of directors:

Signed: *"Chase Edgelow"*

Chase Edgelow, Director

Signed: *"Mary Hemmingsen"*

Mary Hemmingsen, Director

All amounts in Canadian $000s, unless otherwise indicated

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)
(Thousands of Canadian Dollars and shares, except per share amounts)

		Three months ended		Six months ended	
	Notes	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	11	2,359	3,349	3,786	4,934
Cost of goods sold		1,065	866	1,771	1,463
Gross profit		1,294	2,483	2,015	3,471
Operating costs		1,081	421	1,582	643
General and administrative expenses	12	1,011	441	1,847	1,687
Depreciation and amortization	5,6	757	672	1,490	1,264
Share-based payment expense	10a	277	332	52	745
Finance costs - net	13	117	123	229	230
Contingent consideration loss		-	867	-	867
Other (income) expense - net	14	(921)	(32)	(1,793)	35
Net loss before income tax expense (recovery)		(1,028)	(341)	(1,392)	(2,000)
Income tax expense (recovery)					
Current		70	85	4	3
Deferred		(552)	(251)	(631)	(670)
Net loss and comprehensive loss		**(546)**	**(175)**	**(765)**	**(1,333)**
Loss per share – basic and diluted		**($0.04)**	**($0.02)**	**($0.06)**	**($0.14)**
Weighted average number of common shares outstanding		**13,357**	**9,819**	**13,362**	**9,222**

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

All amounts in Canadian $000s, unless otherwise indicated

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(Thousands of Canadian Dollars and shares)

	Notes	Share capital #	Share capital $	Share warrants #	Share warrants $	Share rights #	Share rights $	Contributed surplus $	Accumulated deficit $	Total $
Balance, December 31, 2021		**13,367**	**60,597**	**2,682**	**3,484**	**-**	**-**	**1,477**	**(4,186)**	**61,372**
Net loss for the period		-	-	-	-	-	-	-	(765)	(765)
Repurchase of common shares	10b	(60)	(293)	-	-	-	-	-	75	(218)
Share-based payment expense	10a	-	-	-	-	-	-	52	-	52
Capitalized share-based expense		-	-	-	-	-	-	43	-	43
Balance, June 30, 2022		**13,307**	**60,304**	**2,682**	**3,484**	**-**	**-**	**1,572**	**(4,876)**	**60,484**
Balance, December 31, 2020		**8,203**	**32,790**	**340**	**1,068**	**462**	**32**	**252**	**(2,233)**	**31,909**
Net loss for the period		-	-	-	-	-	-	-	(1,333)	(1,333)
Share-based payment expenses		-	-	-	-	-	-	745	-	745
Common shares issued on private placements		375	2,320	-	-	-	-	-	-	2,320
Common shares issued in exchange for consulting services relating to acquisitions		50	250	-	-	-	-	(250)	-	-
Special Warrant Financing		1,059	7,225	530	1,250	-	-	-	-	8,475
Issuance in exchange for advisor services in connection with Special Warrant Financing		13	95	-	-	-	-	-	-	95
Broker Options issued for broker services in connection with Special Warrant Financing		-	-	23	41	-	-	-	-	41
Broker Unit Warrants issued for broker services in connection with Special Warrant Financing brokered private placement		-	-	11	44	-	-	-	-	44
Common shares issued as consideration for acquisitions		125	1,000	-	-	-	-	-	-	1,000
Common shares issued on satisfaction of share rights		462	32	-	-	(462)	(32)	-	-	-
Finder Warrants issued for services in connection with Special Warrant Financing non-brokered private placement		-	-	7	12	-	-	-	-	12
Share issue cost, net of tax		-	(843)	-	-	-	-	-	-	(843)
Balance, June 30, 2021		**10,287**	**42,869**	**911**	**2,415**	**-**	**-**	**747**	**(3,566)**	**42,465**

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

All amounts in Canadian $000s, unless otherwise indicated

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

		Six months ended	
	Notes	June 30, 2022	June 30, 2021
Operating activities			
Net loss		(765)	(1,333)
Items not affecting cash:			
Depreciation and amortization	5,6	1,490	1,264
Loss on sale of property, plant and equipment	5	41	-
Share-based payment expense	10b	52	745
Contingent consideration loss		-	867
Deferred income tax recovery		(631)	(670)
Changes in non-cash working capital	17	(506)	(2,213)
Net cash flow used in operating activities		**(319)**	**(1,340)**
Investing activities			
Acquisition		-	(10,690)
Cash and cash equivalents included in acquisition		-	119
Expenditures on property, plant and equipment	5	(2,704)	(268)
Insurance proceeds for property, plant and equipment		302	-
Disposals of property, plant and equipment	5	15	3
Contingent consideration payments		-	(3,389)
Investment in equity-accounted investments	7	(1,000)	-
Grant funds received		-	368
Changes in non-cash working capital	17	(448)	169
Net cash flow used in investing activities		**(3,835)**	**(13,688)**
Financing activities			
Advances of loans payable	8	10	7,000
Repayment of principal portion of loans payable	8	(360)	(223)
Repayment of principal portion of lease liabilities	9	(167)	(128)
Proceeds from Special Warrant Financing		-	8,475
Repurchase of common shares	10b	(218)	-
Proceeds from private placements		-	2,320
Share issue costs		-	(891)
Changes in non-cash working capital	17	-	306
Net cash flow (used in) from financing activities		**(735)**	**16,859**
Net change in cash		(4,889)	1,831
Cash, cash equivalents and restricted cash at beginning of period		22,285	5,003
Cash, cash equivalents and restricted cash at end of period	3	**17,396**	**6,834**

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

Supplemental cash flow information note 17

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. NATURE OF BUSINESS

As at June 30, 2022, EverGen Infrastructure Corp. ("EverGen" or the "Company") operates two organic waste management facilities and one renewable natural gas ("RNG") production facility in British Columbia.

EverGen was incorporated under the British Columbia Business Corporations Act on May 13, 2020, and trades on the TSX Venture Exchange under the symbol "EVGN" and the Over-The-Counter venture exchange ("OTCQB") under the symbol "EVGIF".

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

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

2. BASIS OF PREPARATION

a) Statement of compliance and accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021. The interim condensed consolidated financial statements have been prepared under the assumption that the Company operates on a going concern basis and have been presented in Canadian dollars, which is also the Company's functional currency.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2021, except as otherwise stated below.

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors of the Company on August 23, 2022.

i. Repurchase of shares

When shares recognized as equity are repurchased, the amount of the consideration paid is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are subsequently cancelled, the resulting surplus or deficit on the transaction is presented within accumulated deficit.

b) New standards, interpretations and amendments adopted by the Company

There are no new standards not yet adopted that are expected to have a material impact on the Company's financial statements.

c) Use of estimates, judgements and assumptions

The significant estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Company's consolidated financial statements as at and for the year ended December 31, 2021. Actual results may differ from these estimates.

All amounts in Canadian $000s, unless otherwise indicated

3. RESTRICTED CASH

The Company's restricted cash of $2,688 at December 31, 2021 was comprised of acquisition holdbacks held in escrow, which were released to the Company during the three months ended June 30, 2022.

4. ACCOUNTS RECEIVABLE

	June 30, 2022	December 31, 2021
Trade receivables	1,398	2,045
Organic Infrastructure Program receivable	77	77
Other	454	-
	1,929	**2,122**

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and leasehold improvements	Equipment, vehicles and other	Right-of-use assets	Assets under construction	Total
At December 31, 2021	3,238	5,422	4,609	3,564	1,100	17,933
Additions	-	299	120	923	1,983	3,325
Capitalized share-based expense	-	-	-	-	43	43
Disposals	-	-	(56)	-	-	(56)
At June 30, 2022	**3,238**	**5,721**	**4,673**	**4,487**	**3,126**	**21,245**
Accumulated depreciation						
At December 31, 2021	-	273	327	326	-	926
Depreciation	-	144	178	192	-	514
At June 30, 2022	**-**	**417**	**505**	**518**	**-**	**1,440**
Carrying value						
At December 31, 2021	3,238	5,149	4,282	3,238	1,100	17,007
At June 30, 2022	**3,238**	**5,304**	**4,168**	**3,969**	**3,126**	**19,805**

6. INTANGIBLE ASSETS

Cost	Brands	Customer contracts and stakeholder relationships	Total
At December 31, 2021 and June 30, 2022	**1,180**	**25,030**	**26,210**
Accumulated amortization			
At December 31, 2021	59	1,775	1,834
Amortization	30	946	976
At June 30, 2022	**89**	**2,721**	**2,810**

All amounts in Canadian $000s, unless otherwise indicated

Carrying value			
At December 31, 2021	1,121	23,255	24,376
At June 30, 2022	**1,091**	**22,309**	**23,400**

7. EQUITY ACCOUNTED INVESTMENTS

During the period ended June 30, 2022, the Company entered into an agreement to acquire a 50% interest in a portfolio of RNG development projects ("Project Radius") in Ontario, Canada, which provides the Company with the right to participate in funding its proportionate share of the capital to construct RNG infrastructure. The following table presents the changes in the balance of the Company's equity-accounted investment in Project Radius:

	Total
At December 31, 2021	-
Capital contribution	1,000
At June 30, 2022	**1,000**

8. LOANS PAYABLE

	Total
At December 31, 2021	6,458
Advances	10
Interest expense (note 14)	139
Repayments	(499)
At June 30, 2022	**6,108**
Less current portion	**(700)**
Long-term portion	**5,408**

As at June 30, 2022 the Company was not in compliance with one of the covenant requirements of its loans payable. The covenant requirement was subsequently amended, and, as of the reporting date of these financial statements, the Company was in compliance with all covenant requirements.

9. LEASE LIABILITIES

	Total
As at December 31, 2021	3,297
Additions	923
Interest expense (note 14)	102
Lease payments	(269)
As at June 30, 2022	**4,053**
Less current portion	**(384)**
Long-term portion	**3,669**

The Company's lease liabilities are calculated using discount rates ranging from 3.9% to 6.0%.

All amounts in Canadian $000s, unless otherwise indicated

10.SHAREHOLDERS' EQUITY

a) Share-based incentive programs and payment plans

Options

The Company has the following outstanding Options as at June 30, 2022:

	Number of Options (thousands) #	Weighted average exercise price $
Outstanding at December 31, 2021	172	9.56
Forfeited	(45)	9.40
Outstanding at June 30, 2022	**127**	**9.62**
Exercisable at June 30, 2022	**34**	**9.40**

PSUs, RSUs and DSUs

The Company has the following outstanding PSUs, RSUs and DSUs as at June 30, 2022:

(thousands)	Number of PSUs #	Number of RSUs #	Number of DSUs #
Outstanding at December 31, 2021	600	120	28
Granted	-	133	-
Forfeited	(170)	(100)	-
Outstanding at June 30, 2022	**430**	**153**	**28**

Restricted share units

During the six months ended June 30, 2022, the Company granted 133,601 RSU awards to certain officers and employees of the Company, which vest over a three-year period and had a weighted average grant date fair value of $3.92 per RSU.

As at June 30, 2022, the Company had 153,351 RSUs outstanding, which vest over a remaining weighted average period of 0.9 years, with a weighted average grant date fair value of $4.23 per RSU.

Share-based payment expenses (recoveries)

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Options	22	112	(10)	129
PSUs	191	203	94	404
RSUs	64	17	(32)	19
DSUs	-	-	-	193
Total	**277**	**332**	**52**	**745**

b) Common Share Repurchase

As at June 30, 2022, the Company had repurchased 60,000 shares for total consideration of $218 and resulted in a gain on repurchase of $75 which is recorded in accumulated deficit at June 30, 2022.

All amounts in Canadian $000s, unless otherwise indicated

11.REVENUE

The Company's revenues for the three and six months ended June 30, 2022 and 2021 all relate to goods and services transferred at a point in time and all of the Company's revenues relates to revenue from contracts with customers.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Tipping fees	1,691	2,238	2,880	3,493
Organic compost and soil sales	354	691	432	886
RNG sales	301	270	389	270
Trucking services	13	150	85	285
Total	**2,359**	**3,349**	**3,786**	**4,934**

All of the Company's revenues are generated in Canada.

12.GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and wages	364	229	610	404
Professional and consulting fees	358	89	758	1,050
Other	289	123	479	233
Total	**1,011**	**441**	**1,847**	**1,687**

13.FINANCE COSTS - NET

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest expense on loans payable (note 8)	75	69	139	79
Interest expense on lease liabilities (note 9)	54	49	102	98
Other	(11)	5	(7)	55
Interest income	(1)	-	(5)	(2)
Total	**117**	**123**	**229**	**230**

14. OTHER INCOME (EXPENSE) - NET

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Insurance proceeds	764	-	1,672	-
Other	157	32	121	(35)
Total	**921**	**32**	**1,793**	**(35)**

All amounts in Canadian $000s, unless otherwise indicated

15.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

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

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

The fair value of contingent consideration recognized in a business combination is initially measured at fair value on the date of acquisition using widely accepted valuation techniques (level 3). Changes in the fair value of contingent consideration are recognized in net income (loss).

There were no transfers between the levels of the fair value hierarchy during the three and six months ended June 30, 2022. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and six months ended June 30, 2022.

Financial risk management and capital management

There have been no significant developments in the Company's financial risk factors and capital management as included in the Company's consolidated financial statements as at and for the year ended December 31, 2021.

The expected timing of cash outflows relating to financial liabilities include in the Company's Interim Condensed Consolidated Statement of Financial Position as at June 30, 2022 are:

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Accounts payable and accrued liabilities	2,245	-	-	-	-	-	2,245
Contingent consideration	279	-	-	-	-	-	279
Loan payments [(1)]	1,000	5,631	-	-	-	-	6,631
Lease payments [(1)]	610	555	520	447	362	3,324	5,818
Total	**4,134**	**6,186**	**520**	**447**	**362**	**3,324**	**14,973**

(1) Includes principal and interest.

16.RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

The total value of compensation expenses and other fees for the board of directors and members of executive management of EverGen is as follows:

All amounts in Canadian $000s, unless otherwise indicated

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and benefits	106	191	254	369
Share-based payment expense (recovery)	240	331	(2)	742
Total	**346**	**522**	**252**	**1,111**

17.SUPPLEMENTARY CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital, excluding the non-cash working capital acquired on acquisitions, from the statement of financial position to the statements of cash flows:

	Six months ended	
	June 30, 2022	June 30, 2021
Net changes in non-cash working capital:		
Accounts receivable	193	(786)
Prepaid expenses and other assets	(231)	88
Accounts payable and accrued liabilities	(952)	(1,040)
Deferred revenue	36	-
	(954)	**(1,738)**
Net changes in non-cash working capital related to:		
Operating activities	(506)	(2,213)
Investing activities	(448)	169
Financing activities	-	306
	(954)	**(1,738)**
Interest paid	139	178
Taxes paid	43	472

18.SEGEMENTED INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to management. Management is responsible for allocating resources and assessing performance of the operating segments. For the three and six months ended June 30, 2022, the Company had two (three months ended June, 2021 – two, three months ended March 31, 2021 - one) operating segments. The Company's segments are based on the type of operation and include RNG production and organic waste tipping and composting as follows:

For the three-months ended June 30, 2022	RNG production	Organic waste and composting	Corporate and other	Total
Revenue	389	1,970	-	2,359
Cost of goods sold	(105)	(960)	-	(1,065)
Gross margin	284	1,010	-	1,294

All amounts in Canadian $000s, unless otherwise indicated

For the three-months ended June 30, 2021				
Revenue	331	3,018	-	3,349
Cost of goods sold	(74)	(792)	-	(866)
Gross margin	257	2,226	-	2,483
For the six-months ended June 30, 2022				
Revenue	518	3,268	-	3,786
Cost of goods sold	(159)	(1,612)	-	(1,771)
Gross margin	359	1,656	-	2,015
For the six-months ended June 30, 2021				
Revenue	331	4,603	-	4,934
Cost of goods sold	(74)	(1,389)	-	(1,463)
Gross margin	257	3,214	-	3,471
As at June 30, 2022				
Total assets	18,087	53,820	6,674	78,581
As at December 31, 2021				
Total assets	17,279	57,589	5,742	80,610

19. SUBSEQUENT EVENTS

a) On July 13, 2022, the Company completed the acquisition of a 67% interest in Alberta's Grow the Energy Circle Ltd. ("GrowTEC"). The Company acquired a 67% interest in GrowTEC for cash consideration of $2.1 million, subject to working capital adjustments, and the issuance of 600,000 common shares of the Company. Additional cash consideration of up to $4.0 million will be paid upon the achievement of certain operational milestones.

b) Subsequent to June 30, 2022, the Company granted 25,000 RSUs to a director and certain employees of the Company, which vest over a three-year period.