Anaergia Inc.

Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2023 and 2022
(Unaudited)
(in thousands of Canadian dollars)

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2023 and December 31, 2022

All amounts in thousands of Canadian dollars, Unaudited

	Notes	March 31, 2023	December 31, 2022
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		65,452	55,378
Restricted cash		28,312	23,402
Trade receivables		47,670	39,410
Contract assets		44,124	52,190
Government grants receivable		674	677
Prepaid expenses		2,122	2,503
Inventories		8,050	10,068
Embedded derivative		3,503	8,669
Other current assets and sales tax recoverable		24,205	12,973
Total current assets		**224,112**	**205,270**
Non-current assets			
Restricted cash		15,230	16,469
Property, plant and equipment, net	6	469,161	504,663
Intangible assets, net		20,455	19,428
Equity-accounted investees		20,936	21,771
Long-term contract assets		39,747	33,707
Loans and investments	7	156,974	133,797
Total non-current assets		**722,503**	**729,835**
Total assets		**946,615**	**935,105**

See notes to the condensed consolidated interim financial statements.

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2023 and December 31, 2022

All amounts in thousands of Canadian dollars, Unaudited

		March 31, 2023	December 31, 2021
		$	**$**
Current liabilities			
Line of credit	8	757	5,451
Accounts payable		50,841	70,916
Accrued liabilities and provisions		76,334	59,587
Taxes payables		7,940	7,949
Current portion of deferred government grants		3,206	3,090
Current portion of contract liabilities		9,705	11,776
Current portion of lease liabilities		1,256	1,157
Current portion of long-term debt	9	13,118	11,817
Total current liabilities		**163,157**	**171,743**
Non-current liabilities			
Long-term debt	9	360,643	344,385
Lease liabilities		14,006	14,836
Deferred tax liabilities		7,294	6,541
Long-term portion of deferred government grants		50,172	46,214
Long-term portion of contract liabilities		3,371	3,427
Asset retirement obligation		5,714	5,819
Total non-current liabilities		**441,200**	**421,222**
Total liabilities		**604,357**	**592,965**
SHAREHOLDERS' EQUITY			
Non-controlling interests	10	141,944	133,303
Issued capital		397,246	397,246
Preferred Capital in a subsidiary	11	56,572	47,678
Contributed surplus		7,028	6,700
Deficit		(277,104)	(257,801)
Accumulated other comprehensive income		16,572	15,014
Total equity		**342,258**	**342,140**
Total liabilities and equity		**946,615**	**935,105**

Contingencies Note 13

See notes to the consolidated financial statements.

On behalf of the board:

/s/ Andrew Benedek Director /s/ Douglas Fridrik Parkhill Director

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three months ended March 31, 2023 and 2022

All amounts in thousands of Canadian dollars, except per share amounts, Unaudited

	Notes	For the three months ended March 31, 2023	2022
		$	$
Revenue	14	36,611	35,616
Cost of sales	14	33,468	28,273
Gross profit		**3,143**	**7,343**
Selling and general administrative expenses		16,279	11,012
Research and development expenses		691	441
Grant income		(77)	(68)
		16,893	11,385
Loss from operations		**(13,750)**	**(4,042)**
Gain / (loss) on Rialto embedded derivative		(5,106)	(7,065)
Gain on disposal of subsidiary	6	10,251	—
Share of loss in equity-accounted investees		(835)	(1,881)
Other gains / (losses)		(1,045)	(24)
Finance income (costs)		195	135
Foreign exchange gain / (loss)		(161)	(288)
		3,299	(9,123)
Loss before income taxes		**(10,451)**	**(13,165)**
Income tax expense		(826)	(3,225)
Net income (loss)		**(11,277)**	**(16,390)**
Item that may be reclassified back to profit or loss in future periods			
Exchange difference on translation of foreign operations		581	(8,661)
Total comprehensive loss		**(10,696)**	**(25,051)**
Net (loss) income attributable to:			
Shareholders		(10,203)	(12,282)
Non-controlling interests		(1,074)	(4,108)
		(11,277)	**(16,390)**
Total comprehensive (loss) income attributable to:			
Shareholders		(9,268)	(19,936)
Non-controlling interests		(1,428)	(5,115)
		(10,696)	**(25,051)**
Basic and diluted loss per share	**15**	**(0.14)**	**(0.15)**

See notes to the condensed consolidated interim financial statements.

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2023 and 2022

All amounts in thousands of Canadian dollars, Unaudited

	Issued Share Capital	Preferred Capital	Deficit	Accumulated Other Comprehensive Income (Loss) - Currency Translation Reserve	Contributed Surplus	Total	Non-controlling Interests	Total Equity (Deficit)
	$	$	$	$	$	$	$	$
As at January 1, 2023	397,246	47,678	(257,801)	15,014	6,700	208,837	133,303	342,140
Net loss	—	—	(10,203)	—	—	(10,203)	(1,074)	(11,277)
Other comprehensive income - Tonder sale (Note 6)	—	—	(188)	188	—	—	—	—
Other comprehensive income	—	—	—	935	—	935	(354)	581
Total comprehensive income (loss)	—	—	(10,391)	1,123	—	(9,268)	(1,428)	(10,696)
Bioener acquisition NCI (Note 3)	—	—	—	—	—	—	1,592	1,592
Issuance of preferred capital (Anaergia Bioenergy Facilities, Note 11)	—	8,894	—	—	—	8,894	—	8,894
Profit sharing arrangement - Anaergia Bioenergy Facilities (Note 10)	—	—	(9,480)	558	—	(8,922)	8,922	—
Profit sharing arrangement - Rialto (Note 10)	—	—	568	(123)	—	445	(445)	—
Share based compensation (Note 12)	—	—	—	—	328	328	—	328
As at March 31, 2023	**397,246**	**56,572**	**(277,104)**	**16,572**	**7,028**	**200,314**	**141,944**	**342,258**

See notes to the condensed consolidated interim financial statements.

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2023 and 2022

All amounts in thousands of Canadian dollars, Unaudited

	Issued Share Capital	Preferred Capital	Deficit	Accumulated Other Comprehensive Income (Loss) - Currency Translation Reserve	Contributed Surplus	Total	Non-controlling Interests	Total Equity (Deficit)
	$	$	$	$	$	$	$	$
As at January 1, 2022	340,567	23,679	(175,885)	9,800	5,365	203,526	119,870	323,396
Net loss	—	—	(12,282)	—	—	(12,282)	(4,108)	(16,390)
Other comprehensive income	—	—	—	(7,654)	—	(7,654)	(1,007)	(8,661)
Total comprehensive income (loss)	—	—	(12,282)	(7,654)	—	(19,936)	(5,115)	(25,051)
Transaction costs (Note 11)	—		(4,125)	—	—	(4,125)	—	(4,125)
Issuance of preferred capital (SoCal Biomethane, Note 11)	—	888	—	—	—	888	—	888
Profit sharing arrangement - (SoCal Biomethane, Note 10)	—	—	(1,184)	—	—	(1,184)	1,184	—
Exercise of stock options	2	—	—	—	—	2	—	2
Profit sharing arrangement - Rialto (Note 10)	—	—	2,387	1,047	—	3,434	(3,434)	—
Share-based compensation (Note 12)	—	—	—	—	241	241	—	241
As at March 31, 2022	**340,569**	**24,567**	**(191,089)**	**3,193**	**5,606**	**182,846**	**112,505**	**295,351**

See notes to the condensed consolidated interim financial statements.

ANAERGIA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2023 and 2022

All amounts in thousands of Canadian dollars, Unaudited

For the three months ended March 31,	Notes	2023	2022
		$	$
OPERATING ACTIVITIES			
Net income (loss)		**(11,277)**	**(16,390)**
Adjustments for the following non-cash items:			
Depreciation and amortization		1,705	908
Income tax expense		826	3,225
Finance costs (income)		(195)	(135)
Share based compensation expense		328	241
Loss (gain) on Rialto embedded derivative		5,106	7,065
Gain on disposal of subsidiary	6	(10,251)	—
Loss on equity-accounted investees		835	1,881
Government grant income		(77)	(68)
Other losses		1,045	—
Net change in operating assets and liabilities	16	(14,036)	(1,839)
Net cash paid for income taxes		(3)	(133)
Other items		—	407
Cash provided by (used in) operating activities		**(25,994)**	**(4,838)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(33,023)	(17,213)
Borrowing costs paid for plant under construction		(3,933)	—
Investment in intangible assets		(68)	(174)
Investment in long term assets		(18,034)	(17,043)
Consideration received from disposal of subsidiary	6	70,659	—
Investment in equity-accounted investees		—	(1,273)
Cash provided by (used in) investing activities		**15,601**	**(35,703)**
FINANCING ACTIVITIES			
Restricted cash utilization / (funding)		(3,710)	(4,851)
Proceeds from exercise of stock options		—	2
Proceeds from grant funding		4,323	1,933
Proceeds from issuance of preferred capital in a subsidiary	11	8,894	888
Proceeds from borrowings		21,569	15,252
Lease payments		(554)	(426)
Cash paid for interest		(85)	(115)
Repayment of debt		(5,466)	(293)
(Repayment of) proceeds from line of credit		(4,694)	(21)
Cash provided by (used in) financing activities		**20,277**	**12,369**
Effect of exchange rate differences		**190**	**(1,318)**
Net increase (decrease) in cash and cash equivalents during the year		**10,074**	**(29,490)**
Cash and cash equivalents, beginning of year		**55,378**	**79,317**
Cash and cash equivalents, end of year		**65,452**	**49,827**

See notes to the consolidated financial statements.

1. Corporate information

Anaergia Inc. (the "Company") is domiciled in Canada. The Company's registered office and headquarters is at 4210 South Service Rd., Burlington, ON, L7L 4X5, Canada. The condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group has entities located throughout North America, Asia, South Africa, and Europe. The Group is primarily involved in the generation of renewable energy from bio-gas through advanced anaerobic digestion of organic residues from municipal, agricultural, and industrial sources.

The Company was incorporated on September 3, 2010, under the Canada Business Corporations Act. On December 21, 2018, the Company was continued under the Business Corporations Act (British Columbia). The Company is headquartered in Burlington, Ontario, Canada and is controlled by Dr. Andrew Benedek.

The condensed consolidated interim financial statements of the Company were authorized for issue on May 11, 2023, by the Board of Directors of the Company.

2**. Basis of Preparation**

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements have been prepared on the same basis, including accounting policies and methods of computation as the Group's consolidated financial statements as at and for the year-ended December 31, 2022. Under International Financial Reporting Standards ("IFRS"), additional disclosures are required in the annual financial statements and therefore, these condensed consolidated interim financial statements should be read in conjunction with the Group's audited financial statements as at and for the year-ended December 31, 2022.

Adoption of New Accounting Standards

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and amendments that have been applied in preparing these unaudited condensed consolidated interim financial statements as their effective dates falls in the current reporting period. The Group has evaluated the potential implications of the following pronouncements:

Amendments to IAS 8 - Accounting Policies, Changes to Accounting Estimates and Errors

On 12 February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors, in which it introduces a new definition of accounting estimates. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments become effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments did not have a material impact on the Group.

Amendments to IAS 1 - Presentation of Financial Statements

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The IASB also issued amendments to IFRS Practice Statement 2 Making Materiality Judgments (the PS) to support the amendments in IAS 1 by explaining and demonstrating the application of the four-step materiality process to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023. The amendments did not have a material impact on the Group.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify the accounting of deferred tax on transactions such as leases and decommissioning obligations. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS

12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition (this is also explained in the newly inserted paragraph IAS 12.22A). The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023. The amendments did not have a material impact on the Group.

New and revised IFRS Standards in issue but not yet effective

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and amendments that have not been applied in preparing these unaudited condensed consolidated interim financial statements as their effective dates fall in periods beginning subsequent to the current reporting period. The Group is evaluating the potential implications of the following pronouncements:

Amendments to IAS 1 – Classifying liabilities as current or non-current

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change (e.g. convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants.
The amendments will apply from 1 January 2024. However, companies need to consider whether their upcoming annual financial statements will need to include disclosures under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors of the possible future impacts. Currently, the Group is evaluating the impact of this amendment to the Group's financial statements.

Amendment to IFRS 16 - Lease liability in a sale-and-leaseback

These amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following.

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.
- A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments will apply from 1 January 2024. Currently, the Group is evaluating the impact of this amendment to the Group's financial statements.

3. Non-financial assets

Impairment

Based on potential impairment triggers including delays in commercial operations and a decrease in operating cash flow, the Group tested the recoverable amount of one BOO in North America based on its value in use at March 31, 2023. That calculation used run-out cash flow projections over the remaining lease life of the project of 25 years, and a discount rate of 10.2 per cent which is derived based on the Company's assessment of weighted average cost of capital. These cash flow projections were derived from management approved financial budgets and forecasts. The Company believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause their carrying amount to exceed its recoverable amount.

Intangible Assets

During the three months ended March 31, 2023, the Company recognized additional goodwill on the Group's Bioener transaction due to a change in the non-controlling interest of the transaction of $1,592.

4. Related Parties

The Group had the following related party transactions and balances for the three months ended March 31, 2023 and 2022 and as of March 31, 2023 and December 31, 2022.

	Transactions for the three months ended		Outstanding Balances at			
	March 31, 2023	March 31, 2022	March 31, 2023		December 31, 2022	
Related party:	Sale of goods and services		Contract assets (liabilities)	Accounts receivable	Contract assets (liabilities)	Accounts receivable
Fibracast Ltd.	$ 196	$ 108	$ —	$ 2,098	$ —	$ 1,925
WTE Holding Srl and subsidiaries	3,788	—	15,637	9,143	22,819	10,807
MD Limassol Waste Management Co. Ltd.	—	—	—	1,010	—	999
Bioenergy Pte. Ltd	—	407	849	30	847	30
Total	3,984	515	16,486	12,281	23,666	13,761
Related party name:	Purchases of goods or services		Accounts Payable			
Fibracast Ltd.	(10)	—		321		383
Bioenergy Pte Ltd	30	2		34		2
Total	20	2		355		385
Related party name:	Interest charges		Loans receivable/(payable)			
WTEH and subsidiaries	2,406	1,057		142,760		125,505
Fibracast Ltd.	19	12		565		546
Loan to MD Waste Management Co Ltd.	—	—		872		872
Loan to MD Limassol Waste Management Co Ltd.	—	—		3,027		3,027
Loan to Medcon (JV partner)	—	—		272		272
Total	2,425	1,069				

WTE Holdings S.r.l. ("WTEH")

The Group, through its capital sales segment sells equipment to WTEH's subsidiaries, which would typically be eliminated against unrealized profits of the equity method-investee, but due to the recurring losses of the equity method investee, the Group has been unable to eliminate these losses. During the three months ended March 31, 2023 and 2022, the Group has $1,832 (2022 - $9,201) of un-eliminated net sales and corresponding un-eliminated cost of sales of $1,908 (2022 - $6,422).

5. Financial instruments – Fair values and risk management

Fair values

The following table shows the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables.

At March 31, 2023	**Carrying amount**	**Fair Value**
		Level 2
Financial assets		
Embedded derivative	3,503	3,503
	3,503	**3,503**
Financial (liabilities)		
Rialto bonds	(151,257)	(134,940)
Other debt	(222,504)	(220,519)
	(373,761)	**(355,459)**

At December 31, 2022	**Carrying amount**	**Fair Value**
		Level 2
Financial assets		
Embedded derivative	8,669	8,669
	8,669	**8,669**
Financial (liabilities)		
Rialto bonds	(148,964)	(140,168)
Other debt	(207,238)	(194,815)
	(356,202)	**(334,983)**

Measurement of fair values

The fair value of the Rialto bonds and Live Oak loan prepayment embedded derivative was determined using a discounted cash flow model based on prevailing interest rates for a similar instrument. The Company used the following assumptions to determine the fair value of the embedded derivative assets at March 31, 2023: short-term rate volatilities between 1.40% to 2.37% and credit spreads between approximately 4.66% to 5.25%.

The Company used the yield to maturity discounted cash flow analysis to estimate the fair value of the other debt at March 31, 2023. This method involves using national bank treasury yield rates and an option adjusted spread to determine the discounted cash flow for the loans to date of maturity. The yield to maturity discounted cash flow analysis resulted in interest rate yields of between 5.0% to 9.3% at March 31, 2023.

The following table shows the valuation techniques used in measuring Level 2 fair values for financial instruments in the consolidated statements of financial position, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Embedded derivatives - bond and loan early redemption option.................................	Binomial option pricing model	Not applicable	Not applicable

6. Disposal of a subsidiary

On February 22, 2023, the Company announced the sale of Envo Biogas, an anaerobic digestion facility in Tønder, Denmark. The disposition supports the strategic decision to increase investments in new and existing projects in other European countries. The deferred consideration receivable by the Company is due in October 2024. Financial information relating to the disposal as well as the operations of the subsidiary for the period from January 1, 2023 to the date of disposal, is set out below.

	Three Months Ended March 31, 2023 $	Three Months Ended March 31, 2022 $
Financial performance and cash flow information		
Revenue	$ 156	$ 34
Expenses	(688)	(889)
Loss for the period	**(532)**	**(855)**

	Three Months Ended March 31, 2023 $
Details of sale	
Cash net of transaction costs	$ 66,912
Settlement of payables	3,747
Deferred consideration receivable	3,343
Total consideration	**74,002**
Carrying amount of net assets disposed	63,751
Gain on sale before income taxes and reclassification of OCI	**10,251**
Income tax expense on gain	—
Gain on sale after income taxes	**10,251**
Other comprehensive income - foreign currency translation	(188)
Gain on sale after OCI reclassification	**$ 10,063**

7. Loans and investments

The following table presents the summary of loans and investments as at March 31, 2023 and December 31, 2022:

	Interest	Year of maturity	Note	March 31, 2023 $	December 31, 2022 $
Shareholder loans receivable from WTEH - Non-AIP	5.5%	On-demand	(a)	65,878	52,036
Shareholder loans receivable from WTEH - AIP	8.0%	2036	(b)	76,882	73,469
Other loans and investments	5.5% - 7.0%	Various		14,214	8,292
Total other long-term assets				**156,974**	**133,797**

(a) Shareholder loans receivable from WTEH - Non-AIP Loans
The notes are currently unsecured and due on demand. The Group is currently accruing interest using a 5.5% interest rate. The Group does not expect the receivables to be repaid within the next twelve months following the balance sheet date and accordingly have presented the amounts receivable as non-current. The Group has recorded an estimated credit loss on these loans of $2,236 (December 31, 2022 - $2,129).

(b) Shareholder loans receivable from WTEH - AIP Loans

In conjunction with the Arjun Infrastructure Partners ("AIP") master note purchase agreement, the Group has loaned $76,882 (December 31, 2022 - $73,469) to WTEH which is backed by individual loans to WTEH and its subsidiaries that accrue interest at 8% and mature in 2036 at the same time as the loan with AIP does. The Group has recorded an estimated credit loss on these loans of $3,728 (December 31, 2022 - $3,300).

8. Revolving line of credit

The Group maintains a line of credit facility of US$4,000. When drawn, advances under the facility carry interest at rate per annum of 1.10% above the Daily Simple SOFR rate with interest payments due the first of every month. The Group may from time to time during the term of this facility borrow, partially or wholly repay its outstanding borrowings, and re-borrow subject to the terms and conditions of the agreement with a maturity date of June 1, 2023. The balance of the credit line on March 31, 2023 is nil (December 31, 2022 – $5,451, US$4,000). The line of credit is collateralized by the Group's cash balances held by the lender.

On January 5, 2023, the Company entered into a line of credit agreement with a third-party bank in Canada for $20.0 million or up to a maximum 1.10 of the cash collateral balance, whichever is greater. This line of credit matures on April 1, 2024, bears interest at the base index rate plus 2% per annum (6.45% as of the date of the loan). The line of credit is guaranteed by Dr. Andrew Benedek and Dr. Mourato Benedek. The line of credit is secured by a first priority security interest in the Company's assets. The line of credit has certain non-financial affirmative and negative covenants. The balance of the credit line on March 31, 2023 is $757.

9. Long-term debt

Terms and repayment schedule

The terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	Note	March 31, 2023 Carrying amount	December 31, 2022 Carrying amount
Rialto bonds	6.75% - 7.50%	2028 and 2040		153,141	150,855
AIP - Bridge financing and Fixed Rate Notes	8%	2024 and 2036	(a)	144,450	141,271
GDIF Loans	11%	2030 - 2031		34,936	34,247
Live Oak Indenture	5.96%	2032		16,284	17,214
SoCal Organics Recycling Facility	4.00%	2033	(b)	13,424	—
Caterpillar Financial Services Term Loans	5.70% - 6.69%	2025 - 2028		5,976	6,210
Bioener Loans	2.57% - 9.27%	2024 - 2027		4,594	5,240
Other	0% - 11.4%	2023 - 2027		5,470	6,375
				378,275	361,412
Less: issuance costs				(4,514)	(5,210)
Total long-term debt				373,761	356,202
Of which:					
Current				13,118	11,817
Long term				**360,643**	**344,385**

(a) AIP Loan - Bridge Financing Extension

During the period ended March 31, 2023, the Company and AIP agreed to extend the terms of Bridge financing from February of 2024 to October 15, 2024.

(b) SoCal Organics Recycling Facility Loan

On February 2, 2023, the Company's newly formed subsidiary SoCal Organics Recycling Facility, LLC entered into a US$10.0 million loan and security with the State of California, Department of Resources Recycling and Recovery. The loan matures on February 1, 2033 and bears interest 4.0% per annum. The loan is secured by a piece of equipment that is being leased to a third-party for US$3.0 million over 10 years. The equipment is currently in the process of being installed in Santa Fe Springs, California. The loan is guaranteed by the Company's subsidiary, UTS Bioenergy Holdings, LLC and has certain affirmative covenants, which the Company was in compliance with at March 31, 2023. The loan requires interest only payments until March 1, 2024 and then the loan amortizes over the remaining term with a monthly payment of US$110.

Repayment of Principal and Interest

The repayment of principal and interest on the outstanding loans and borrowings is as follows:

Year	Principal	Interest	Total Repayment
12 months after period end	13,118	24,556	37,674
13-24 months after period end	82,806	19,088	101,894
25-36 months after period end	8,299	17,553	25,852
37-48 months after period end	8,305	17,038	25,343
49-60 months after period end	8,563	16,490	25,053
Thereafter	257,184	161,008	418,192
	378,275	255,733	634,008

10. Non-controlling interests

Non-controlling interests consisted of the following amounts by entity at:

Non-controlling interest	March 31, 2023	December 31, 2022
Rialto Bioenergy Facility LLC	81,143	81,588
Bioener SpA	4,752	4,489
Anaergia Bioenergy Facility, LLC	57,525	48,603
SoCal Biomethane LLC	—	—
Other entities	(1,476)	(1,377)
	141,944	133,303

Rialto Bioenergy Facility, LLC

The Group is a party to a profit sharing arrangement in which following the acquisition of the interest in Rialto, the first USD $80 million of profit in Rialto are distributable other than to the Group. The effects of this profit sharing arrangement are reflected as adjustments between non-controlling interest and deficit in the consolidated statements of changes in equity. For income and loss, the Group has elected to reflect 49% as the non-controlling interest considering the economic interests over the life of the project are split 51% and 49% to the Group and to the holder of such non-controlling interest respectively. During the three months ended March 31, 2023, the Group recognized a decrease in its deficit in the amount of $568 (2022 - $2,387) with a corresponding increase in the non-controlling interest in connection with the profit sharing arrangement.

Anaergia Bioenergy Facility, LLC

On August 3, 2022, the Corporation's subsidiary, Anaergia Services LLC ("AS") entered into a Contribution and Investment Agreement ("CIA") with IIF Anaergia Holdco, LLC, and with Anaergia Bioenergy Facilities, LLC ("ABF"), a wholly-owned subsidiary of the Group. The CIA provides for the transfer and contribution of the interests of AS in SoCal Biomethane Holdco, LLC ("SCH") and Charlotte Bioenergy Facility Holdco, LLC ("CBFH") into ABF. On November 18, 2022, AS contributed its ownership interests in Rhode Island Bioenergy Facility Holdco, LLC ("RIBFH") into ABF. The non-controlling interest exchanged its existing preferred interest in SoCal for its preferred interest in ABF, in addition to making additional investments in ABF preferred units in the prior year.

The Group is a party to a profit sharing arrangement in ABF, the distributable cash flow is first distributed to the preferred members based on the contributed capital that they have contributed to ABF or previously to SoCal Biomethane. The effects of this profit sharing arrangement are reflected as adjustments between non-controlling interest and deficit in the consolidated statements of changes in equity. During the three months ended March 31, 2023, the Group recognized an increase in its deficit in the amount of $9,480 (2022 previously for SoCal Biomethane - $1,184) with a corresponding increase in the non-controlling interest in connection with the profit sharing arrangement.

11. Equity

Issued Share Capital

During the period ended March 31, 2022, the Company agreed to a commission of $4,125 relating to sales proceeds from the sale of non-controlling interest in Rialto which occurred in 2020. This payment was recognized in accumulated deficit, corresponding to the recognition of the initial gain on the sale of the non-controlling interest of Rialto, which had been recognized within equity due to the fact that the Company did not lose control of Rialto.

Preferred Equity Interest in Subsidiary

During the three months ended March 31, 2023, the Group received cash for additional preferred equity interests in ABF of $8,894 (2022 SoCal Biomethane, LLC - $888).

12. Share-based payment plans

2021 Omnibus Equity Incentive Plan

On June 16, 2021, the Group adopted the Omnibus Equity Incentive Plan (the "2021 Plan") that allows the Company to grant equity awards including restricted stock units, performance share units, dividend share units and stock options to employees, directors, and consultants of the Company, that if converted would be exercised into subordinate voting shares of the Company. The amount available under the 2021 Plan is limited to 10% of the issued and outstanding shares of the combined subordinate voting shares and multiple voting shares less any amount for outstanding Legacy Options or outstanding under the 2021 plan. The equity awards under the 2021 Plan are subject to three year service based vesting.

Share Issuance Plans(equity-settled)

During the three months ended March 31, 2023 and 2022, the Company had two share-based payment arrangements, which are described below.

Type of arrangement	**Awards granted at March 31, 2023**	**Type of Awards**	**Contractual life**	**Vesting conditions**
Employee Stock Option Plan ("ESOP")	2,432,174	Stock options	Earlier of 15 years or December 31, 2025	Four years' service
2021 Omnibus Equity Incentive Plan ("2021 Plan")	335,809	Restricted stock units	10 years	Three years' service

Further details and activity of the two share option plans for the three months ended March 31, 2023 and 2022:

	ESOP			2021 Plan		Total
	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value	Number of Awards	Weighted Average Fair Value	Number of Awards
Outstanding at January 1, 2023	2,543,237	$ 0.01	$ 2.72	342,701	$ 10.14	2,885,938
Cancelled/forfeited	—	—	—	(6,892)	$ 7.18	(6,892)
Exercised	(111,063)	$ 0.01	$ 2.72	—	—	(111,063)
Outstanding at March 31, 2023	2,432,174	$ 0.01	$ 2.72	335,809	$ 10.20	2,767,983
Exercisable at March 31, 2023	2,382,174	$ 0.01	$ 2.72	—	$ —	2,382,174

	ESOP			2021 Plan		Total
	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value	Number of Awards	Weighted Average Fair Value	Number of Awards
Outstanding at January 1, 2022	3,426,395	$ 0.01	$ 2.72	81,993	20.25	3,508,388
Granted	—	—	—	5,958	13.43	5,958
Exercised	(622,750)	0.01	2.72	—	—	(622,750)
Outstanding at March 31, 2022	2,803,645	$ 0.01	$ 2.72	87,951	$ 19.67	2,891,596
Exercisable at March 31, 2022	2,586,145	$ 0.01	$ 2.72	—	$ —	2,586,145

For the three months ended March 31, 2023 and 2022, the weighted average share price at the date of exercise for share options exercised during the period was $5.09 and $12.03, respectively. The options outstanding at March 31, 2023 had an exercise price of $0.01, and a weighted average remaining contractual life of 2.75 years .

Expense recognized in profit and loss

Share-based payment expenses by plan for the three months ended March 31, 2023 and 2022 were as follows:

	ESOP $	2021 Plan $	Total $
Expense arising from RSUs	$ —	$ 294	$ 294
Expense arising from Stock Options	$ 34	$ —	$ 34
Total expense for three months ended March 31, 2023	$ 34	$ 294	$ 328

	ESOP $	2021 Plan $	Total $
Expense arising from RSUs	$ —	$ 143	$ 143
Expense arising from Stock Options	$ 98	$ —	$ 98
Total expense for three months ended March 31, 2022	$ 98	$ 143	$ 241

13. Contingencies

Legal claims

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. No asset or liability has been recognized in regard to this matter as the expected timing and amounts of any inflow or outflow cannot be reasonably determined, due to the uncertainties inherent in the outcome of the litigation at this point in time.

Management believes that adequate provisions for legal claims have been recorded in the accounts where required. The Group also maintains comprehensive insurance coverage which may be available to reimburse actual expenditures in certain circumstances.

14. Segment reporting

The Group determines its reportable segments based on the nature of operations and includes three operating segments: Capital Sales, Services, and Build, Own, and Operate Projects.

Capital Sales consists of the sales of proprietary technology solutions and services to third party customers, predominantly municipalities, private entities, and project developers.

Services consist of third-party recurring services contracts to operate and maintain the technology solutions.

Build, Own, and Operate Projects consist of greenfield or brownfield facilities that the Group builds and operates to fulfill long-term contracts to supply energy to third parties.

The financial results of the business segments are included below. Performance is measured based on gross profit as reported to the Group's Chief Executive Officer, who acts as the Chief Operating Decision Maker. Information on segment-level capital expenditures, net income, or liabilities is not provided to or used by the Chief Operating Decision Maker in evaluating performance or determining resource allocation.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment for the three months ended March 31, 2023:

Three Months Ended March 31, 2023	Capital Sales $	Services $	Build, Own, and Operate $	Total $
Revenue	24,542	4,302	7,767	36,611
Gross profit (loss)	1,465	(533)	2,211	3,143

The following is an analysis of the Group's revenue and results by reportable segment for the three months ended March 31, 2022:

Three Months Ended March 31, 2022	Capital Sales $	Services $	Build, Own, and Operate $	Total $
Revenue	29,925	3,638	2,053	35,616
Gross profit (loss)	6,017	(82)	1,408	7,343

The following is an analysis of the Group's total assets by reportable segment at March 31, 2023 and December 31, 2022:

	Capital Sales $	Services $	Build, Own, and Operate $	Other $	Total $
March 31, 2023	123,643	43,819	725,495	53,658	946,615
December 31, 2022	120,250	29,135	747,613	38,107	935,105

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets, and other financial assets) by geographical location are detailed below (comparative information has been amended to reflect the change in composition of certain of the components of the Company's segments):

	Revenue		Non-current Assets	
Geographic Region	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	March 31, 2023	December 31, 2022
Italy	22,152	21,084	202,532	179,616
North America	9,339	7,425	490,106	464,705
Other EMEA	3,896	5,974	12,887	68,292
APAC	1,224	1,133	1,748	753
Total	36,611	35,616	707,273	713,366

15. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by using the treasury stock method. The treasury stock method assumes that any proceeds obtained on exercise of equity-based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted-average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity-based compensation arrangements and shares repurchased from the related proceeds.

In thousands of Canadian dollars except share amounts	**March 31, 2023**	**March 31, 2022**
Net loss attributable to shareholders	(10,203)	(12,282)
Effect of profit sharing arrangement adjustment	1,136	3,434
Income (loss) available for ordinary shareholders - basic and dilutive	(9,067)	(8,848)
Weighted average Multiple and Subordinate Voting Shares outstanding	64,529,484	58,964,599
Total ordinary shares	**64,529,484**	**58,964,599**

	2023	**2022**
Basic and diluted loss per share	$ (0.14)	$ (0.15)

Instruments excluded because they are considered anti-dilutive:

	2023	**2022**
Restricted stock units	335,809	87,951
Subordinate Voting shares Stock Options outstanding	2,432,174	2,803,645
	2,767,983	**2,891,596**

16. Net change in operating assets and liabilities

The table below reconciles the change in current assets and liabilities as shown in the consolidated statements of cash flows.

Net change in operating assets and liabilities	**March 31, 2023** **$**	**March 31, 2022** **$**
Decrease/(increase) in accounts receivable	(8,444)	3,289
Decrease/(increase) in contract assets	1,178	(10,885)
Decrease/(increase) in government grants receivable	3	1,851
Decrease/(increase) in prepaid expenses	381	763
Decrease/(increase) in inventory	1,501	93
Decrease/(increase) in other current assets	(11,387)	(4,004)
Increase/(decrease) in accounts payable	(20,075)	(3,320)
Increase/(decrease) in accrued liabilities and provisions	16,700	6,340
Increase/(decrease) in contract liabilities	(2,127)	7,294
Increase/(decrease) in accrued interest	(765)	250
Increase/(decrease) in property, plant and equipment included in accounts payable	6,397	4,932
Others	2,602	(8,442)
	(14,036)	**(1,839)**