Fueling a Sustainable World™

ANAERGIA INC.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

*This management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the three-month periods ended March 31, 2024 and* **2023** *is prepared as of July 6, 2024 and provides information concerning our financial condition and results of operations. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the three-month periods ended March 31, 2024 and* **2023** *(the "**Q1 Interim Financial Statements**") and the Company's audited annual consolidated financial statements for the years ended December 31, 2023 and 2022 (the "***2023** ***Annual Financial Statements***"), together with the related notes thereto. The financial information presented in this MD&A is derived from the Q1 Interim Financial Statements, which have been prepared in accordance with 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 "**Q1 2024**" are to our fiscal quarter for the three months ended March 31, 2024, and references to "**Q1 2023**" are to our fiscal quarter for the three months ended March 31, 2023. References to "**Fiscal 2023**" are to the fiscal year ending December 31, 2023, and references to "**Fiscal 2022**" are to the fiscal year ended December 31, 2022.

Additional information about the Company, including its annual information form for Fiscal 2023 (the "**Annual Information Form**") and management information circular for Fiscal 2022, is available on SEDAR at www.sedarplus.ca. The Company's subordinate voting shares ("**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, other future events or developments and may include, without limitation, information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "would", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "likely", "potential", "typically", "continue", "seek", "aim", "pursue", or "future" or the negative or other variations of these words or other comparable words or phrases. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Forward-looking statements in this MD&A include, among other things, financial condition and results of operations; expectations regarding our revenue, expenses and operations; expectations regarding low upfront capital investments; expectations regarding industry trends, overall market growth rates and our growth strategy; expectations regarding improving margins, reducing expenses and conserving cash; statements regarding enhancing contractual requirements for margin protection and improving execution process and prudent cash management; expectations regarding our ability to grow the number and scope of operation and maintenance ("**O&M**") contracts; expectations regarding lowering investment in research and development expenses; expectations regarding leveraging technologies for value extraction; statements regarding the evaluation of potential options to maximize shareholder value; the expected financial performance of our build-own-operate ("**BOO**") assets; statements regarding the Company's ongoing strategic review; access to project-specific debt and equity for financing current and new BOO projects; access to debt financing from related and third-party sources; statements regarding the benefits of Investment Tax Credits ("**ITC**") and Low Carbon Fuel Standards ("**LCFS**"); our business plans and growth strategies; statements regarding remediation efforts to address the material weakness; statements regarding access to a robust incremental pipeline of key Capital Sales projects; the near-term actions as part of the Company's business reset, including the shift to a capital-light business model, and the associated benefits of such; our competitive position in our industry, including anticipated trends and challenges in our business and the markets in which we operate; and intentions with respect to the implementation of new accounting standards.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that we considered appropriate and reasonable as of the date such statements were made. It is also subject to known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described under "Risks and Uncertainties" in this MD&A, such as the risk of the Company to continue as a going concern. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Annual Information Form. Certain assumptions in respect of our growth outlook; our ability to refocus resources on our Capital Sales segment and rely on low upfront capital investments; our ability to sell certain assets to generate cash; our ability to meet our financing and liquidity requirements on a continuing basis; our ability to provide projected revenue and Adjusted EBITDA (as defined below) upon completion of the strategic review; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to improve margins, improve execution processes, reduce expenses, conserve cash and ensure prudent cash management; our ability to monitor the expected cash inflows on trade and other receivables with expected cash outflow of the same; our ability to meet the requirements and covenants under the Rhode Island Bioenergy Facility LLC ("**RIBF**") US$20,000 term loan (the "**RIBF Loan**"); our ability to leverage technologies to increase sales and maximize value extraction; our ability to improve profitability of the existing business; our ability to attain profitability and positive cashflows; our ability to focus efforts on refining our existing technologies; our ability to maintain good relationships with our customers and suppliers; our ability to execute on our expansion plans; our ability to execute on additional acquisition opportunities; our ability to obtain or maintain existing financing on acceptable terms; our ability to lower investment in research and development expenses; our ability to remediate the material weakness and execute on our plan to add additional internal technical accounting specialist resources in the financial reporting process; our ability to continue as a going concern; the effects of changes in currency exchange and interest rates; the changes and trends in our industry or the global economy; our estimated contracted revenue and revenue from our BOO assets operating at full capacity during their useful lives; operations and maintenance cost estimates; capital costs remaining steady; the timely construction of facilities; the continuation of legislation and regulation favouring landfill diversion and environmental attributes for renewable natural gas ("**RNG**"); the anticipated monetary incentives for RNG to be provided by California's LCFS and other initiatives; the expected incentivization for projects that use biogas or RNG as a result of LCFS; the benefits of the ITC; and our ability to complete the near-term actions as part of the Company's business reset, including shifting to a capital-light business model; our ability to recognize development fees and generate third party Capital Sales and O&M contracts associated with future BOO projects; and our ability of realizing the anticipated benefits of such are material factors underlying forward-looking information and management's expectations.

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

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These non-IFRS 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 non-IFRS 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 non-IFRS 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, including "Adjusted EBITDA" and "EBITDA" 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 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 are useful as they allow for assessment of our operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. We also believe that securities analysts, investors and other interested parties frequently use non-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, Enterprise Resource Planning ("**ERP**") customization and configuration costs, litigation and other claims settlements, gains and losses resulting from changes in certain balance sheet valuations (such as derivatives and warrants) and acquisition costs.

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

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

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

HIGHLIGHTS

- For Q1 2024, revenue decreased 33.2%, or $12,394, to $24,969 compared to Q1 2023 (Q1 2023: $37,363). The decrease was driven mainly due to Italian Capital Sales projects being completed, some projects facing customer delays, and a delay in new project signing.

- For Q1 2024, the net loss of ($11,481) increased 36.7%, or $3,081, compared to Q1 2023 (Q1 2023: net loss of ($8,400). The decrease is mainly due to the prior year transaction for the sale of our equity interests in a subsidiary of Anergia that owned Envo Biogas facility located in Tønder, Denmark. This transaction resulted in a gain of $10,063. When normalizing the prior year loss for this transaction, the Q1 2023 normalized loss would be approximately $18,463 which means that the Q1 2024 results have improved by $6,982 or 37.8%.

- For Q1 2024, Adjusted EBITDA* decreased 282.1%, or $9,324, to a loss of ($6,019) compared to Q1 2023 (Q1 2023: earnings of $3,305). The decrease was driven by the sale of our equity interests in a subsidiary of Anaergia that owned the Envo Biogas facility in Tønder, Denmark ($10,063) in Q1 2023.

- On December 18, 2023, the Company announced a C$40,800 equity investment by Marny Investissement SA ("Marny") by way of an arm's-length, multi-tranche, non-brokered private placement (the "Strategic Investment"), pursuant to a subscription agreement dated December 17, 2023 as amended on December 29, 2023, February 2, 2024 and April 1, 2024 (the "Subscription Agreement"). Marny, through a wholly owned subsidiary, Marny Holdco, Inc. ("Marny Holdco"), agreed to subscribe for an aggregate of 102,000,000 units of the Company ("Units") at a price of C$0.40 per Unit with each Unit consisting of one Subordinate Voting Share and 1/5 of one Subordinate Voting Share purchase warrant of the Company (each a “Warrant”). Each Warrant entitles Marny Holdco to purchase one additional Subordinate Voting Share at an exercise price of C$0.80 until February 2, 2027. The Unit subscription price of C$0.40 represented a 57% premium to the 10-day volume weighted average price of the Subordinate Voting Shares on the TSX as of December 15, 2023. Pursuant to the Subscription Agreement, Marny Holdco was provided with the right, in its sole discretion, to allocate an aggregate of 10,200,000 of the Subordinate Voting Shares for which it has subscribed to certain individual investors (the “Marny Individual Investors”), and any such Marny Individual Investors is required to grant an irrevocable proxy to Marny Holdco in respect of the voting rights for such Subordinate Voting Shares. Following the completion of the Strategic Investment, Marny Holdco will own (or own or control) approximately 60.9% of the issued and outstanding Subordinate Voting Shares (on a non-diluted basis) and 65.2% of the issued and outstanding Subordinate Voting Shares (on a partially diluted basis) assuming the exercise in full of the Warrants.

- On December 22, 2023, our subsidiary Rhode Island Bioenergy Facility Holdco, LLC (“RIBFH”) entered into a definitive agreement for a sale of $21,679 of the Inflation Reduction Act of 2022 (the "IRA") investment tax credits (the “ITC Transaction”) generated by its subsidiary, the RIBF in Johnston, Rhode Island from qualified investments by the subsidiary into RNG generating capital expenditures. On January 29, 2024, the ITC Transaction closed and generated $21,679 in cash during Q1 2024. During Q1 2024, we recognized transaction expenses on the ITC Transaction of $2,416.

- On February 2, 2024, the Company announced that the first tranche of the Strategic Investment closed with the issuance of 31,250,000 Units for gross proceeds to C$12,500.

- On April 1, 2024, the Company announced that the second tranche of the Strategic Investment closed with the issuance of 34,000,000 Units for gross proceeds to C$13,600.

- On June 26, 2024, the Company announced the appointment of Assaf Onn as its acting Chief Executive Officer, effective June 24, 2024. Mr. Onn’s appointment followed the mutual decision by the board of directors of the Company and Brett Hodson, the then Chief Executive Officer, to transition to new leadership following the investment of Marny in the Company.

- A strategic review of the Company’s options to maximize shareholder value was announced during the third quarter of 2023 and is ongoing.

Financial Highlights (in thousands, except per share data)

	Three Months Ended March 31,	
	2024	**2023 (Restated)**
Revenue	24,969	37,363
Cost of sales	18,489	32,307
Gross profit	6,480	5,056
Loss from operations	(10,210)	(10,755)
Net loss	(11,481)	(8,400)
Net loss per share	(0.02)	(0.10)
Weighted average # of shares	85,208,288	64,529,484
EBITDA*	(9,277)	(6,142)
Adjusted EBITDA*	(6,019)	3,305

* See “Non-IFRS Measures”.

BUSINESS OVERVIEW

Our Business

Anaergia is an integrated waste-to-value platform 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. We provide integrated solutions to today's 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 acquired companies specializing in processing and treating organic waste. Continued investments in innovation and execution capabilities allow us to deliver facilities that divert waste, reduce life cycle costs, create new revenue streams and maximize renewable energy output.

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

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

Anaergia is headquartered in Burlington, Ontario, Canada and has operations in North America, Asia, Africa and Europe. Since 2010, the Company's technologies have been deployed at over 230 resource recovery facilities in over 17 countries worldwide.

Business Segments

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

1. *Capital Sales*. Our Capital Sales segment consists of technology packaged solutions and services to third party customers, predominantly municipalities and project developers, and includes engineering services, proprietary product sales, engineering procurement and construction contracts, or a combination thereof.
2. *Services*. Our Services segment offers third-party 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 has been building, owning, and operating greenfield or brownfield facilities that are expected to generate higher margin revenues and long-term and more predictable cash flows. This segment capitalizes on our ability to acquire and retrofit existing infrastructure and bypass lengthy permitting processes. Going forward, we plan to follow a capital-light model for this segment where we will not aim to own the majority equity interest in any new assets. Instead of recognizing revenues and long-term cash flows from new assets in the future, we intend to recognize development fees and generate third-party Capital Sales and O&M contracts associated with each future BOO project.

Geographical Operations

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

The Company's core markets and revenue sources are in North America and Europe where we take advantage of the opportunity created by regulations that drive organics diversion and encourage the use of AD to process organic waste and produce RNG.

In other markets, Anaergia sells integrated solutions to waste management companies where BOO assets are typically less attractive.

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

1. *North America*. In North America, our core market is in California, where we have fourteen projects that serve as technical reference projects.
2. *Europe, Middle East and Africa ("**EMEA**")*. In the EMEA region, we have focused on the Italian market due to its strong regulatory support and robust natural gas infrastructure. Outside of Italy, we are focused on the United Kingdom, Germany, Spain, Portugal 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. Our strategic vision is clear: to provide complete, integrated resource recovery solutions globally. Underpinned by a robust market, and regulatory and environmental tailwinds, Anaergia is uniquely positioned to benefit from the growing demand for sustainable waste solutions. The Company's products and services respond to regulatory and customer demand for sustainable waste management services that are superior to landfills and composting while providing carbon negative fuel, thereby reducing GHG emissions. Anaergia is focused on providing cost effective and sustainable solutions that leverage our experience with project development, execution and our network of owned infrastructure. Key elements of our growth strategy are set out below.

Shift to a Capital-Light Business Model

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

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

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

Focus on Performance

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

Increase Services Revenue

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

MARKET DYNAMICS AND GROWTH

Many initiatives, particularly in Europe, call for long-term RNG supply increases and are expected to further promote the development of new biogas facilities along with increasing opportunities for our Capital Sales business. Anaergia finances its BOO projects with a combination of equity, project 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 opportunities to access project-specific debt and/or various types of project-related equity for financing existing and new BOO projects.

Europe

European natural gas prices began Fiscal 2022 at all-time highs as a result of tight gas markets throughout the European Union (the "**EU**"). The conflict in eastern Europe further inflated gas prices prompting the EU to propose a plan known as "REPowerEU", to reduce reliance on Russian fossil gas by two thirds in Fiscal 2022 and completely phase out its use by the year 2030. REPowerEU in part relies on increasing supplies of RNG. REPowerEU sets a target for the EU to produce approximately 1,260,000,000 metric million British Thermal units ("**MMbtu**") (35 billion cubic meters) of biomethane per year by 2030, approximately two times the previously proposed target. While natural gas prices have significantly declined from all-time highs in Fiscal 2022 due to a combination of mild weather, increased gas storage and other factors, prices remain above historic averages. The International Energy Agency described the current gas balance as fragile and highly susceptible to short-term market forces.

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

Anaergia expects support for RNG to increase in other EU countries as well and is developing opportunities in other countries including France, Spain, UK, Portugal, and Germany.

North America

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

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

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

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

RECENT DEVELOPMENTS

- The Company is continuing a business reset and is taking action to reduce the capital burden from future projects, improve margin, reduce SG&A, and conserve cash.

- On April 1, 2024, the Company announced that the second tranche of the Strategic Investment closed with the issuance of 34,000,000 Units for gross proceeds to C$13,600.

- On June 26, 2024, the Company announced the appointment of Assaf Onn as its acting Chief Executive Officer, effective June 24, 2024. Mr. Onn's appointment followed the mutual decision by the board of directors of the Company and Brett Hodson, the then Chief Executive Officer, to transition to new leadership following the investment of Marny in the Company.

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 performed or upon transfer of title for products provided.

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

Cost of Sales

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

Operating Expenses

Selling 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. Depreciation and amortization expenses related to non-revenue generating tangible and intangible assets are also included in SG&A expenses.

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 Rialto Bioenergy Facility, LLC ("RBF") Embedded Derivative

The tax exempt bonds for the RBF contained an early repayment option, which was treated as an embedded derivative for accounting purposes. The fair value of the repayment option was estimated by calculating the present value of the net interest if the Company exercised the option across a variety of likely scenarios. The RBF's embedded derivative was divested in the deconsolidation.

Gain on Sale of Tønder

This is a reference to the gain on the sale of our equity interests in a subsidiary of Anaergia that owned the Envo Biogas facility in Tønder, Denmark in Q1 2023.

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 Ltd. ("Fibracast") and Medcon & db Technologies BV joint venture .

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 Q1 2024, and Q1 2023:

	Q1 2024	Q1 2023 (Restated)
Revenue	24,969	37,363
Cost of sales	18,489	32,307
Gross profit	6,480	5,056
SG&A	16,607	15,197
Research and development expenses	307	691
Government grants	(224)	(77)
Loss from operations	(10,210)	(10,755)
Loss on RBF embedded derivative	—	(5,106)
Gain on sale of Tønder	—	10,063
Loss on equity-accounted investees	(478)	(835)
Other losses	(320)	(808)
Finance (costs) income	(1,035)	273
Foreign exchange gain / (loss)	545	(406)
Loss before income taxes	(11,498)	(7,574)
Income tax benefit (expense)	17	(826)
Net loss	(11,481)	(8,400)

Analysis of Results

Revenue

Revenue by segment	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
Capital Sales	16,367	25,294	(8,927)	-35.3%
Services	4,546	4,302	244	5.7%
BOO	4,056	7,767	(3,711)	-47.8%
Total Revenue	24,969	37,363	(12,394)	-33.2%

Revenue of $24,969 for Q1 2024 decreased 33.2%, or $12,394, compared to Q1 2023 (Q1 2023: $37,363). Revenue decreased mainly due to Italian Capital Sales projects being completed, and some projects facing customer delays and delays in new project signing. Revenue also decreased due to a decrease in BOO revenue due to the sale of Bioener, S.p.A. ("Bioener") project in the third quarter of 2023.

Revenue for our Capital Sales segment of $16,367 for Q1 2024 decreased 35.3%, or $8,927, compared to Q1 2023 (Q1 2023: $25,294). The decrease was due to the combination of completed projects in Italy, some projects facing customer and vendor delays and delay in new project signings especially in Europe.

Revenue for our Services segment of $4,546 for Q1 2024 increased 5.7%, or $244, compared to Q1 2023 (Q1 2023: $4,302). The increase was due to new O&M contracts starting in Q1 2023 and higher field service activity in North America.

Revenue for our BOO segment of $4,056 for Q1 2024 decreased 47.8%, or $3,711, compared to Q1 2023 (Q1 2023: $7,767). Revenue from our BOO segment decreased due to the sale of our Bionet BOO project in Udine, Italy on August 17, 2023.

Material Projects

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

During Q1 2024, we recognized revenue of $1,351 for this project, and a 24% gross margin has been achieved on this project to date. The project had an original contract value of SGD 35,017 and was approximately 13% complete as of March 31, 2024. While the project is currently generating less than 10% of our revenue, the overall contract value is deemed to be significant. The project is designed to process 5,800 tonnes per day of incinerable waste, 250 tonnes per day of household recyclables, 400 tonnes per day of source separated food waste, and 800 tonnes per day of dewatered sludge. The plant is located at the Tuas View Basin Site and will be completed in phases, with the first phase targeted for completion by 2025.

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

During Q1 2024, we have recognized revenue of $2,628 for this project, and a 28% gross margin has been achieved on this project to date. The project had an original contract value of $18,444 (US$13,631) and was approximately 51% complete as of March 31, 2024. This project is designed to refurbish and install new AD facilities at the Borough of Quakertown WWTP in Quakertown, Pennsylvania using our Omnivore™ technology.

The RIBF (BOO Project)

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

On January 29, 2024, RIBFH completed the ITC Transaction or sold $21,679 of ITC credits generated by qualified investments of RIBF in RNG generating capital expenditures and generated $21,679 in cash during Q1 2024. During Q1 2024, we recognized expenses on the ITC Transaction of $2,416.

SoCal Biomethane (BOO Project)

Anaergia upgraded the existing digester system at this 12 million gallons per day facility providing enough additional capacity to enable co-digestion of food scraps with wastewater solids.We also installed two of our 800-kW dual-fuel combined heat and power (CHP) modules. In Phase 2 of this project these modules began using conventional natural gas so that the facility's biogas can be upgraded to RNG (biomethane) for injection into the regional gas utility pipeline system. The plant can produce more than 340,000 MMbtu of renewable natural gas per year. On January 1, 2023, SoCal Biomethane was placed into service, and depreciation was started on the plant. As of March 31, 2024, the plant was operating profitably.

Charlotte (BOO Project)

Charlotte, a 5.2-megawatt AD facility located in Charlotte, North Carolina, can process over 120,000 tons of organic waste per year and has its entire annual feedstock requirement under contract or in negotiations with suppliers. The facility also has a long-term power purchase agreement with Duke Energy extending to 2031, under which it sells both the electricity output and renewable energy credits generated from waste.

On February 1, 2024, we decided to idle the AD facility located in Charlotte, North Carolina, due to recurring losses.

Revenue by geography	**Q1 2024**	**Q1 2023 (Restated)**	**Change ($)**	**Change (%)**
Italy	4,561	22,152	(17,591)	-79.4%
North America	14,495	10,112	4,383	43.3%
Other EMEA	3,629	3,896	(267)	-6.9%
APAC	2,284	1,203	1,081	89.9%
Total Revenue	24,969	37,363	(12,394)	-33.2%

Revenue in Italy of $4,561 for Q1 2024 decreased 79.4%, or $17,591, compared to Q1 2023 (Q1 2023: $22,152). The decrease was due to project completions and the decrease in work performed on behalf of previous related parties.

Revenue in North America of $14,495 for Q1 2024 increased 43.3%, or $4,383, compared to Q1 2023 (Q1 2023: $10,112). The increase was due to increases in Services revenue for a new O&M contract and due to increases in revenue at our SoCal BOO project.

Revenue in the EMEA region of $3,629 for Q1 2024 decreased 6.9%, or $267, compared to Q1 2023 (Q1 2023: $3,896). The decrease was driven by scope changes and external delays on Capital Sales projects in the middle of execution and a delay in new project bookings.

Revenue in the APAC region of $2,284 for Q1 2024 increased 89.9%, or $1,081, compared to Q1 2023 (Q1 2023: $1,203). The increase was driven primarily by the IWMF Capital Sales project.

Cost of Sales

Cost of Sales by segment	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
Capital Sales	14,388	21,916	(7,528)	-34.3%
Services	2,807	4,835	(2,028)	-41.9%
BOO	1,294	5,556	(4,262)	-76.7%
Total Cost of Sales	18,489	32,307	(13,818)	-42.8%

Cost of sales of $18,489 for Q1 2024 decreased 42.8%, or $13,818, compared to Q1 2023 (Q1 2023: $32,307). The decrease was driven by the decrease of revenue noted above and lower costs on Service related revenue.

Cost of sales for Capital Sales of $14,388 for Q1 2024 decreased 34.3%, or $7,528, compared to Q1 2023 (Q1 2023: $21,916). Cost of sales for Capital Sales decreases were due to the timing of project expenditures and decreased revenue for the period.

Cost of sales for Services of $2,807 for Q1 2024 decreased 41.9%, or $2,028, compared to Q1 2023 (Q1 2023: $4,835). Cost of sales for Services decreased mainly related to decreased field services expenses and O&M project expenses.

Cost of sales for BOO of $1,294 for Q1 2024 decreased 76.7%, or ($4,262), compared to Q1 2023 (Q1 2023: $5,556). Cost of sales for BOO decreases were mainly due to Bioener being sold in August of 2023, however, the revenue and costs of sales are included in the Q1 2023 amounts. In addition to the removal of Bioener for Q1 2024, the decrease in costs of sales is also due to Charlotte being idled in February 2024.

Gross Profit

Gross Profit by segment	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
Capital Sales	1,979	3,378	(1,399)	-41.4%
Services	1,739	(533)	2,272	-426.3%
BOO	2,762	2,211	551	24.9%
Total Gross Profit	6,480	5,056	1,424	28.2%

Gross profit of $6,480 for Q1 2024 increased 28.2%, or $1,424, compared to Q1 2023 (Q1 2023: $5,056). The increase in gross profit was due to increased margin on new O&M project contracts in North America and the UK, and increased margins from our SoCal BOO project in Q1 2024.

Gross profit for Capital Sales of $1,979 for Q1 2024 decreased 41.4%, or $1,399, compared to Q1 2023 (Q1 2023: $3,378). Capital Sales gross profit decreased due to lower revenue from Capital Sales projects in Italy and North America.

Gross profit for Services of $1,739 for Q1 2024 increased 426.3%, or $2,272, compared to Q1 2023 (Q1 2023: ($533)).The increase in gross profit is a result of new O&M project revenue with increased margins and lower costs on field service revenue.

Gross profit for BOO of $2,762 for Q1 2024 increased 24.9%, or $551, compared to Q1 2023 (Q1 2023: $2,211). The increase is due to lower increased margin on the SoCal BOO project, idling of the BOO facility in Charlotte and due to the removal of Bioener which was a lower margin BOO facility.

Operating Expenses

	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
SG&A	16,607	15,197	1,410	9.3%
Research and development expenses	307	691	(384)	-55.6%
Government grants	(224)	(77)	(147)	190.9%
Total operating expenses	16,690	15,811	879	5.6%

SG&A expenses of $16,607 for Q1 2024 increased 9.3%, or $1,410, compared to Q1 2023 (Q1 2023: $15,197). SG&A expenses increased in Q1 2024 as compared to Q1 2023, due to the transaction costs associated with the ITC Transaction ($2,416) that was off-set by the reductions in overhead expenses and decreases in headcount for Q1 2024 as compared to Q1 2023.

Research and development expenses of $307 for Q1 2024 decreased 55.6%, or $384, compared to Q1 2023 (Q1 2023: $691). Management has been focusing our efforts on refining the Company's existing technology and Capital Sales product offerings, but is continuing to lower investment in research and development expenses as it tries to monitor costs.

Grant income of ($224) for Q1 2024 increased 190.9%, or $147, compared to Q1 2023 (Q1 2023: ($77)). The increase was due to the release of previously recognized deferred government grants.

Other Expenses

	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
Loss on RBF embedded derivative	—	(5,106)	5,106	-100.0%
Gain on sale of Tønder	—	10,063	(10,063)	-100.0%
Loss on equity-accounted investees	(478)	(835)	357	-42.8%
Other gains / (losses)	(320)	(808)	488	-60.4%
Finance (costs) income	(1,035)	273	(1,308)	-479.1%
Foreign exchange gain / (loss)	545	(406)	951	-234.2%

Loss on embedded derivative

The gain or (loss) on the RBF embedded derivative of nil for Q1 2024 increased 100.0%, or $5,106 compared to Q1 2023 (Q1 2023: gain ($5,106)). This change is due to the deconsolidation of the RBF in second quarter of 2023.

Gain on sale of Tønder

The gain on the sale of Tønder of $10,063 in Q1 2023 relates to the disposition of our equity interests in an Anaergia subsidiary that owns the Envo Biogas asset in Tønder, Denmark. Please see Note 4 of the Q1 Interim Financial Statements for further details.

Share of loss in equity-accounted investees

The share of loss in equity accounted investees of ($478) for Q1 2024 decreased 42.8%, or $357, compared to Q1 2023 (Q1 2023: ($835)). The losses are driven by the Company's share of Fibracast's net losses.

Other gains (losses)

Other losses of ($320) for Q1 2024 increased by 60.4%, or $488, compared to Q1 2023 (Q1 2023: ($808)). This decrease was due to the lower one time expenses including ECL charges for loans and investments in Italy and Canada.

Finance income (costs)

Finance costs of ($1,035) for Q1 2024, decreased by 479.1%, or $1,308, compared to Q1 2023 (Q1 2023: $273). The increase in finance costs as compared to finance income in Q1 2023 is due to increased lending activity from borrowers including the RIBF term loan entered into in third quarter of 2023, and a significant decrease in loans receivable balances from related parties.

Foreign exchange gain (loss)

Foreign exchange gain of $545 for Q1 2024 increased by 234.2%, or $951, compared to Q1 2023 (Q1 2023: ($406)). The fluctuations are primarily due to foreign currency transactions with our customers and vendors and changes in exchange rates.

EBITDA and Adjusted EBITDA

	Q1 2024	Q1 2023 (Restated)	Change ($)	Change (%)
EBITDA*	(9,277)	(6,142)	(3,135)	51.0%
Adjusted EBITDA*	(6,019)	3,305	(9,324)	-282.1%

EBITDA* of ($9,277) for Q1 2024 decreased 51.0%, or $3,135, compared to Q1 2023 (Q1 2023: ($6,142)). The decrease was driven by a gain on the sale of our equity interests in an Anaergia subsidiary that owns the Envo Biogas asset in Tønder, Denmark ($10,063) and due to the ITC Transaction costs ($2,416) offset by loss on RBF embedded derivative ($5,106) in Q1 2023.

Adjusted EBITDA* of ($6,019) for Q1 2024 decreased 282.1%, or $9,324, compared to Q1 2023 (Q1 2023: $3,305). The decrease was driven by a gain on the sale of our equity interests in an Anaergia subsidiary that owns the Envo Biogas asset in Tønder, Denmark ($10,063) in Q1 2023.

* See "Non-IFRS Measures".

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 Q1 2024 and Q1 2023:

	Q1 2024	Q1 2023 (Restated)
Net loss	(11,481)	(8,400)
Finance cost (income)	1,035	(273)
Depreciation and amortization	1,186	1,705
Income tax (benefit) expense	(17)	826
EBITDA*	(9,277)	(6,142)
RBF-Non controlling interest - EBITDA	—	777
Share-based compensation expense	589	328
Loss on RBF embedded derivative	—	5,106
RIBF income tax credit transaction costs (1)	2,416	—
Share of loss in equity accounted investees	478	835
Provision for customer claim	—	1,002
Other losses (2)	320	808
ERP customization and configuration costs (3)	—	185
Foreign exchange (gain) loss	(545)	406
Adjusted EBITDA*	(6,019)	3,305

* See "Non-IFRS Measures".

Notes:

(1) RIBF income tax credits transaction costs represent one-time costs that are included in SG&A on our statement of operations but can be agreed to our statement of cash flow.

(2) The other losses are included as other gains and losses on our statement of operations less the ERP customization and configuration costs included in (3) below.

(3) ERP customization and configuration costs are costs that are included in other gains and losses on our statement of operations.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	As at March 31, 2024	As at December 31, 2023
Current assets	116,861	148,314
Non-current assets	130,102	130,353
Current financial liabilities	5,987	5,582
Current non-financial liabilities	96,006	122,466
Current liabilities	101,993	128,048
Non-current financial liabilities	65,306	65,305
Non-current non-financial liabilities	11,599	11,724
Non-current liabilities	76,905	77,029
Equity	68,065	73,590

The main driver of changes in the balance sheet arise as result of increased cash collections and decreased accounts receivables and contract assets for the Q1 2024 period. The decrease in current liabilities is a result of payments on aged payables.

LIQUIDITY AND CAPITAL MANAGEMENT

Overview

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

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

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

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 favourable to the Company.

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

Capital Resources

As we continue to build the RIBF, we have entered into a contract with the contractor that has $2,282 remaining on the contract at year end. We have obtained financing from the sale of income tax credits in order to fund a significant part of this additional build out and are in negotiation with our preferred equity interest to fund any shortfall in the required capital expenses to see this plant up and running.

As part of our new capital light strategy, we are entering into Capital Sales contract that will require our customers to make prepayments on our Capital Sales contracts in order to fund construction. This includes at our product companies in Europe, as these entities will require upfront payments from customers in order to start and complete orders. We anticipate having minimal R&D needs going forward.

Liquidity

The Q1 Interim Financial Statements have been prepared in accordance with IFRS, which contemplates continuation of the Company as a going concern. However, the Company’s operating performance has not generated the positive cash flows required to maintain its business as a going concern without access to external sources of capital. For Q1 2024, the Company experienced operating losses of $10,210 and negative cash flows from operations of $8,533. Whether and when the Company can attain profitability and positive cash flows to support its ongoing operations is highly uncertain.

In order to decrease liquidity risk, the Company has, among other actions, terminated certain loss making contracts, decreased headcount for certain positions, increased management's efforts to collect on older receivables, delayed payments and is limiting non-essential expenditures.

A consequence of negative cash flows there has been a high rate of delinquency with respect to the Company's trade payables. As of March 31, 2024, accounts payable totaled $31,765. The Company's vendors who have outstanding past due balances owed to them, have demonstrated restraint with respect to exercising their full legal rights of collection. There are no forbearance agreements in place with any of the Company's vendors.

As of March 31, 2024, the Company's cash reserves were also significantly depleted and available credit under the Company's existing credit facilities was limited, such that the Company was and is facing short-term liquidity constraints which may further impact on its ability to continue to operate as a going concern.

As previously disclosed, the Company is undergoing a strategic review with the help of financial advisors, which includes discussions with lenders. Our future strategy continues to rely on low upfront capital investment and refocusing our resources on our Capital Sales segment. Management cannot guarantee that it will satisfactorily complete these plans, or that the plans will alleviate the need for additional cash funding of the business.

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

While management has made and is continuing to make efforts to improve the profitability of the existing business by increasing revenue and reducing costs, these efforts are unlikely to be sufficient, on their own, to address the financial challenges facing the Company. The Company relies, in part, on restraint from creditors, which includes trade payable vendors, as to deferred payments which would otherwise be due and payable. The Company is considering other initiatives (as part of the strategic review) intended to address potential liquidity shortfalls in the near-term, including efforts to raise debt financing from related and third-party sources, and to sell certain of its assets to generate cash to support the continued operations of the business until a longer-term solution can be identified and implemented.

The continued operations of the Company depend upon its ability to meet its financing and liquidity requirements on a continuing basis, by continuing to have access to financing, by selling assets, and by generating positive operating results. There can be no assurance, however, that the Company can reach profitability, secure adequate debt or equity financing, or implement assets sales on desirable terms, within the necessary time frames or at all.

Further, the Company through its subsidiary, RIBF, has entered into the RIBF Loan, which is subject to customary financial covenants. The Company has determined that due to certain performance delays at RIBF, it may not meet the requirements under those covenants within the next 12 months. There is no guarantee the Company will be able to obtain a waiver in the event of a covenant default. Accordingly, the lender may exercise remedies that include acceleration of the term loan. These material uncertainties raise significant doubt about the Company's ability to continue as a going concern.

Because the Q1 Interim Financial Statements have been prepared on a going concern basis, they do not include any adjustments that might result from the outcome of this uncertainty or the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

ANALYSIS OF CASH FLOWS

Cash Flows

	Q1 2024	**Q1 2023 (Restated)**
Cash used in operating activities	(8,533)	(25,729)
Cash provided by investing activities	20,265	15,413
Cash provided by financing activities	3,930	20,199
Effect of exchange rate differences	(33)	191
Cash, beginning of period	**22,113**	**55,378**
Cash, end of period	**37,742**	**65,452**

Cash Used in Operating Activities

Changes to cash used in operating activities for Q1 2024 were mainly due to the Q1 2023 sale of our equity interests in an Anaergia subsidiary that owns the Envo Biogas asset in Tønder, Denmark, the Q1 2024 ITC Transaction costs, increased finance costs and changes in operating assets and liabilities.

Cash Provided by Investing Activities

The increase in cash provided by investing activities during Q1 2024 is due to the cash receipt for the ITC Transaction. The Q1 2023 cash provided by investing activities consists of the proceeds from the sale of our equity interests in an Anaergia subsidiary that owns the Envo Biogas asset in Tønder, Denmark, combined with lower investment in existing BOO assets with no new BOO investments.

Cash Provided by Financing Activities

The decrease in cash provided by financing activities for Q1 2024 was mainly due to borrowing activity and the distributions to non-controlling interests in Q1 2023, offset by the receipt of cash for the first tranche of the Strategic Investment in Q1 2024.

CONTRACTUAL OBLIGATIONS

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at March 31, 2024.

	Maturing						
	Total	**Maturing in Year 1**	**Maturing in Year 2**	**Maturing in Year 3**	**Maturing in Year 4**	**Maturing in Year 5**	**Maturing beyond Year 5**
Lease and debt obligations	79,457	6,240	6,931	7,237	8,138	10,807	40,104

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2024, Anaergia had commitments of $2,282 relating to capital expenditures for our North America BOOs, mainly related to the RIBF. These capital commitments represent construction contracts with third-party contractors and are calculated as the total amount of the contract offset by the amount billed and completed as of our balance sheet date. The contracts do permit cancellation for various reasons and we believe we would be able to settle these contracts for decreased amount given that the work and effort has not been incurred by the vendor, if these contracts were terminated.

As at March 31, 2024, Anaergia had performance bonds of $37,896 representing the maximum amount potentially payable on performance bonds and guarantees issued by financial institutions to Anaergia Italy SRL, Anaergia, Inc. and Anaergia DB. Performance bonds are financial guarantee contracts issued by financial institutions for the benefit of a third-party on behalf of Anaergia, Inc. and Anaergia S.r.L. We use these bonds to guarantee performance for our customers benefit and to lessen our capital requirements to customers. If we perform on the Capital Sales and BOO segment sales, customers would have no need or use for the bond and they would then expire at the end of the contract. Customers could draw on the bond for their benefit by submitting a claims to the financial institution or insurance company, and then we would be forced to reimburse them for the claim. We could dispute the claim and enter into litigation to resolve the dispute. Historically with the number of our contracts, we have had only rare claims on these performance bonds. We have also been able to successfully enter litigation to reclaim payment or partial payment on bonds wrongfully claimed.

As at March 31, 2024, Anaergia had financial guarantees of $13,978. Financial guarantee contracts are agreements and/or commitments to reimburse or make payment on account of any losses or non-payments by a borrower in an event of default scenario and include surety guarantees in connection with transactions between two parties. These include a letter of patronage for customer, that guarantee sufficient capital for performance on a revenue contract. We have four financial guarantees for the benefit of related parties were they not to pay on an obligation that they owe, we would be forced to pay on those obligations. In addition, we have additional financial guarantee contracts in the form of indemnity agreements from insurance carriers related to the performance bonds discussed above.

RELATED PARTY TRANSACTIONS

The Group had the following related party transactions and balances at Q1 2024 and at Fiscal 2023.

	Accounts receivable	
	Outstanding Balances at	
Related party:	March 31, 2024	December 31, 2023
Fibracast Ltd. ("Fibracast")	6	6
MD Waste Management Co Ltd *	10,538	10,557
MD Waste Management JV ("Limassol")	513	514
Bioenergy Pte. Ltd	30	28
Rialto Bioenergy Facility, LLC ("Rialto")	236	309
Total	11,323	11,414

	Contract liabilities	
	Outstanding Balances at	
Related party:	March 31, 2024	December 31, 2023
W.M. Lyles Co.	469	—
Total	469	—

	Accounts Payable	
	Outstanding Balances at	
Related party:	March 31, 2024	December 31, 2023
W.M. Lyles Co.	4,531	5,328
Bioenergy Pte. Ltd	94	181
Total	4,625	5,509

	Loans receivable	
	Outstanding Balances at	
Related party:	March 31, 2024	December 31, 2023
Fibracast	478	574
Loan to Bioenergy Pty. Ltd. *	—	472
Loan to MD Waste Management Co Ltd., Limassol, dbT (JV partner) *	1,415	1,417
Total	1,893	2,463

* These loans with related parties are fully reserved for with the Company's expected credit losses.

The Group had the following related party transactions for the Q1 2024 and Q1 2023.

	Transactions for the Three Months Ended March 31,	
	2024	2023 (Restated)
Related party:	Revenue for goods and services	
Fibracast	—	196
WTE Holding S.r.L. ("WTEH") and subsidiaries	—	3,788
Rialto	326	—
W.M. Lyles Co.	69	—
Total	395	3,984
Related party:	Purchases of goods or services	
Bioenergy Pte. Ltd	174	30
W.M. Lyles Co.	108	—
Total	282	30
Related party:	Interest income	
WTEH and subsidiaries	—	2,406
Fibracast	—	19
Total	—	2,425

FINANCIAL OUTLOOK

As previously disclosed, management will not be able to provide any updates regarding guidance, including projected revenue and Adjusted EBITDA, until the completion of the Company's strategic review and a reassessment of assumptions related thereto.

OUTSTANDING SHARES DATA

Our Subordinate Voting Shares and the multiple voting shares ("**Multiple Voting Shares**") are identical with the exception of the multiple voting, pre-emptive and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote and each Multiple Voting Share is entitled to four votes on all matters upon which each such class of shares are entitled to vote. The Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. Our Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of a liquidation, dissolution or winding up. The holders of Subordinate Voting Shares benefit from certain provisions that give them certain rights in the event of a take-over bid for the Multiple Voting Shares.

The table below indicates the number of outstanding Multiple Voting Shares of the Company and Subordinate Voting Shares as of the dates indicated:

	As at March 31, 2024	As at December 31, 2023
Multiple Voting Shares	22,350,320	32,222,369
Subordinate Voting Shares	74,326,184	33,179,135

QUARTERLY INFORMATION

The following table sets forth selected unaudited quarterly statements of operations data for periods indicated below. The information for each of these quarters has been prepared on the same basis as the 2023 Annual Financial Statements. This data should be read in conjunction with the Q1 Interim Financial Statements and the notes thereto and is not necessarily indicative of our operating results for a full-year or any future period.

Quarterly information	Q1 2024	Q4 2023	Q3 2023 (Restated)	Q2 2023 (Restated)	Q1 2023 (Restated)	Q4 2022 (Restated)	Q3 2022 (Restated)	Q2 2022 (Restated)
Revenue	24,969	33,408	33,952	42,502	37,363	41,025	44,637	41,928
Loss from operations	(10,210)	(35,931)	(13,327)	(25,789)	(10,755)	(24,704)	(2,918)	(5,176)
Net income (loss)	(11,481)	(34,058)	(30,568)	(119,765)	(8,400)	(41,303)	(4,590)	(16,744)

* See "Non-IFRS Measures".

Net loss of ($11,481) for Q1 2024 decreased 66.3%, or $22,577, compared to Q4 2023 (Q4 2023: net loss of ($34,058)). The main decrease was due to accounting losses and administrative charges made during Q4 of 2023.

Net loss of ($11,481) for Q1 2024 increased 36.7%, or $3,081, compared to Q1 2023 (Q1 2023: net loss of ($8,400)). The decrease is mainly due to the prior year transaction for the sale of our equity interests in the Envo Biogas facility located in Tønder, Denmark. This transaction resulted in a gain of $10,063. When normalizing the prior year loss for this transaction, the Q1 2023 normalized loss would be approximately $18,463 which means that the Q1 2024 results have improved by $6,982 or 37.8%.

RISKS AND UNCERTAINTIES

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

Going Concern Risk

The Q1 Interim Financial Statements have been prepared using accounting principles applicable to a going concern which assumes an entity will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in completing equity or debt financing or in, achieving its growth plans. The Q1 Interim Financial Statements do not give effect to any adjustments that might result from the outcome of this uncertainty or the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

REVISIONS OF PRIOR YEAR COMPARATIVE INFORMATION

During the preparation of these consolidated financial statements, management determined that several immaterial corrections of errors needed to be made to our prior year comparative condensed consolidated interim financial statements. These errors mainly stem from corrections to the year-end Fiscal 2023 Audited Financial Statements where the adjustments needed to be allocated to the interim period of Q1 2023. Accordingly, the accompanying consolidated financial statements reflect our correction of the condensed consolidated interim statement of operations impact of the error for Q1 2023.

The foregoing corrections are not considered material for us. The effect of these adjustments on the financial statements are as follows:

Consolidated Statement of Operations	Quarter ended March 31, 2023 - as previously reported	Effect of immaterial correction	Quarter ended March 31, 2023 - restated
Revenue	36,611	752	37,363
Cost of sales	33,468	(1,161)	32,307
Gross profit	3,143	1,913	5,056
SG&A	16,279	(1,082)	15,197
Operating expenses	16,893	(1,082)	15,811
Loss from operations	(13,750)	2,995	(10,755)
Other losses	(1,045)	237	(808)
Finance (costs) income, net	195	78	273
Foreign exchange gain / (loss)	(161)	(245)	(406)
Loss before income taxes	(10,451)	2,877	(7,574)
Net loss	(11,277)	2,877	(8,400)
Net loss attributable to shareholders	(10,203)	2,877	(7,326)
Basic and diluted loss per share	(0.14)	0.04	(0.10)

Consolidated Statement of Comprehensive Loss	Quarter ended March 31, 2023 - as previously reported	Effect of immaterial correction	Quarter ended March 31, 2023 - restated
Net loss for the period	(11,277)	2,877	(8,400)
Total comprehensive (loss) income for the period	(10,696)	2,877	(7,819)
Total comprehensive loss attributable to shareholders	(9,268)	2,877	(6,391)

Consolidated Statement of Cash Flows	Quarter ended March 31, 2023 - as previously reported	Effect of immaterial correction	Quarter ended March 31, 2023 - restated
Net loss	(11,277)	2,877	(8,400)
Finance costs / (income)	(195)	(78)	(273)
Other losses	1,045	(237)	808
Net change in operating assets and liabilities	(14,036)	(2,485)	(16,521)
Cash provided by (used in) operating activities	**(25,994)**	**265**	**(25,729)**
Purchase of property, plant and equipment	(33,023)	-	(33,023)
Cash provided by (used in) investing activities	**15,601**	**(188)**	**15,413**
Lease payments	(554)	(78)	(632)
Cash provided by (used in) financing activities	**20,277**	**(78)**	**20,199**
Effect of exchange rate differences	190	1	191
Net increase (decrease) in cash during the year	**10,074**	**-**	**10,074**

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

During Q1 2024, we assessed the effectiveness of our internal control over financial reporting related to the period and reassessed for the comparative periods ("**Periods**"). Based on that evaluation and due to the material weakness described below, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, and internal controls over financial reporting, for the Periods were not effective.

Identification of Material Weakness in Internal Control Over Financial Reporting

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

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

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

Remediation of Material Weakness in Internal Control Over Financial Reporting

In response to the material weakness, management has commenced a plan to add additional internal technical accounting specialist resources including in respect of its international operations and has involved one of the Big 4 international professional services firms in the financial reporting process. The underlying process related to the material weakness continues to be enhanced and is currently operating effectively. Revenue recognition policies have been updated to conform with IFRS 15. The revised process and control will continue to be tested quarterly for design and operating effectiveness.

In response to delays in filing the 2023 Annual Financial Statements, the Company's finance and accounting organization is assessing its policies and procedures for internal reporting, timely disclosure of financial information, and implementation of a monthly accounting close process, which will help to expedite the quarterly close.

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.
The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

Evaluation of Control Over Investees

We regularly assesses our control for each investee on an ongoing basis. In evaluating whether we control investees, we apply judgment to assess whether we hold existing rights that give us the current ability to direct the relevant activities of our investee, has exposure or rights to variable returns from our involvement in the investee, and has the ability to use our power to affect these returns. Judgment is also required to determine the point in time at which we can exercise or cease to exercise such rights and abilities.

Componentization and Useful Lives of Property, Plant, and Equipment

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

Determining Cash Generating Units ("CGUs")

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

Arrangements That May Contain a Lease

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

Impairment of Long-Lived Assets

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The nature of events that are deemed to be triggering events for an impairment test require our judgment. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into CGUs. The testing of CGUs for impairment require us to make assessments including the projected cash flow of the CGU, the likely capital structure, inputs into discount rates and to determine the best use for the CGU being tested. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use, being the present value of the expected future cash flows of the relevant CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. We conducted an impairment test on two CGUs during the year and two CGUs at year end, see Note 10 to the 2023 Annual Financial Statements for further details.

Going Concern Assessment

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

Key Areas of Estimation Uncertainty

Revenue Recognition

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

Fair Value of Financial Instruments

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

Estimated Credit Losses

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

Business Combination Accounting

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

Recoverability of Long-Lived Assets

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2024, we had an embedded prepayment option on our outstanding Live Oak loan for SoCal Biomethane - which has an asset balance of $1. This instrument is valued using a binomial option pricing model that reflects our credit rating and the likelihood that we would exercise the prepayment option. Changes in the fair value of this financial instrument are recorded through the statement of operations as other gains or losses. This financial instrument can only ever be an asset balance, as a prepayment penalty.

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

Financial Risk Management

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

Credit Risk

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

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

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

In addition, we are exposed to credit risk in relation to financial guarantee contracts given by banks on behalf of related parties. Our maximum exposure in this respect is the maximum amount the group could have to pay if the guarantee is called. As at March 31, 2024, an amount of $9,164 is the total estimated loss that we are exposed to, however, no loss allowance was recognized in profit or loss. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Liquidity Risk

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

Our objective when managing liquidity is to ensure, as far as possible, that the Company will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We monitor our cash flow requirements to optimize its cash return on investments. We aim to maintain the level of our cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. We also monitor the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. However, we cannot guarantee that we will have satisfactorily completed plans for reducing cash outflows, or that the plans will alleviate the need for additional cash funding of the business. As such, there remains substantial doubt about the Company's ability to continue as a going concern.

Market Risk

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

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

Interest Rate Risk

We are exposed to interest rate risk on our variable rate borrowings. Accordingly, interest rate fluctuations affect the amount of interest expense we are obligated to pay. We currently use interest rate swap agreements to manage our exposure to interest rate changes. We have designated the interest rate swaps as cash flow hedges for accounting purposes. Accordingly, the earnings impact of the derivatives designated as cash flow hedges are recorded upon the recognition of the interest related to the hedged debt. There was no significant ineffectiveness in the year ended Q1 2024.

Taking our interest rate swap into account, a sensitivity analysis of the impact on the Company's variable rate corporate debt instruments to a hypothetical 100 basis point increase in short-term rates (Prime) for the quarter ended Q1 2024 would have resulted in no significant increase in interest expense.

Currency Risk

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

FUTURE ACCOUNTING POLICY CHANGES

From time to time, new accounting pronouncements are issued by the IASB or other standards-setting bodies and are adopted as of the specified effective date. The new and amended standards and interpretations that are issued, but not yet effective, 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.sedarplus.ca.