



Anaergia Inc.

Consolidated Financial Statements
(in thousands of Canadian dollars)

December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Anaergia Inc.

Opinion

We have audited the consolidated financial statements of Anaergia Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Estimated total contract costs of Engineering, Procurement and Construction ("EPC") contracts

Description of the matter

We draw attention to Notes 2.3(K)(iv), 3 Key areas of estimation uncertainty (i) and 23 of the financial statements. For the year ended December 31, 2022, the Entity recognized capital sales revenue of \$123,074 thousand. Capital sales revenue comprises of the sales of technology packaged solutions and services to third party customers. This includes engineering services, propriety product sales, Engineering, Procurement and Construction ("EPC") contracts, or a combination thereof. Revenue for EPC contracts is recognized as the performance obligations are satisfied over time, based on costs incurred relative to the estimated total contract costs to be incurred over the term of the EPC contracts. The use of a cost-based input method requires the use of significant assumptions in estimating total contract costs, including assumptions related to materials, labour and subcontractor costs.

Why the matter is a key audit matter

We identified the evaluation of the estimated total contract costs of EPC contracts as a key audit matter. This matter represented a significant risk of material misstatement and significant auditor judgment was required in evaluating the results of our audit procedures relating to the Entity's significant assumptions noted above.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We evaluated the Entity's historical ability to estimate total contract costs by comparing the total actual costs for a selection of EPC contracts completed in the current year against the total contract costs estimated in the prior year.

For a selection of EPC contracts, we evaluated the appropriateness of the Entity's estimated total contract costs by performing the following:



- We inspected the executed contracts including any significant amendments and interviewed the Entity's project managers to obtain an understanding of the contractual requirements and related performance obligations, and assessed the impact of any amendments on the estimate of total contract costs
- We evaluated the materials, labour and subcontractor costs by assessing progress to date and the nature and complexity of work to be performed through interviewing the Entity's project managers and inspecting corroborative evidence, if any, between the Entity and the customers, suppliers, and subcontractors.

Evaluation of Bioener acquisition of control accounting treatment

Description of the matter

We draw attention to Notes 2.2, 2.3(N), 3(i), and 6 to the financial statements. On December 4, 2020, the Entity entered into an agreement to acquire an ownership interest in Bioener S.p.A ("Bioener" or "investee") and was not considered to have control over Bioener until it had the requisite number of directors to direct the relevant activities that would significantly impact the Entity's returns. On May 30, 2022, the Entity determined that it had obtained control of Bioener. Control exists when the Entity has existing rights that give it the current ability to direct the relevant activities of the investee, has exposure or rights to variable returns from its involvement in the investee, and has the ability to use its power to affect its returns. In evaluating whether the Entity controls investees, management applies judgment to assess the Entity's existing rights that give it the current ability to direct the relevant activities of the investee.

Why the matter is a key audit matter

We identified the evaluation of the acquisition of control accounting treatment related to the Bioener business combination as a key audit matter. This matter represented an area of significant risk of material misstatement and required significant auditor judgment to evaluate the Entity's existing rights that give it the current ability to direct the relevant activities of the investee.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed the Entity's existing rights that give it the current ability to direct the relevant activities of the investee by examining the investee's governing documents, including the share purchase agreement, Bioener by-laws, shareholders' agreement, and board



minutes. In addition, we obtained evidence of actual activities related to governance and ownership of the investee, and evaluated against the relevant accounting standards.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is R. Alexander Dilts.
Kitchener, Canada

April 10, 2023

ANAERGIA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2022 and 2021
All amounts in thousands of Canadian dollars

	Notes	December 31, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		55,378	79,317
Restricted cash	16	23,402	22,318
Trade receivables	11	39,410	34,788
Contract assets	23	52,190	44,200
Government grants receivable		677	2,635
Prepaid expenses		2,503	5,319
Inventories	12	10,068	5,509
Embedded derivative	16	8,669	24,410
Other current assets and sales tax recoverable		12,973	7,866
Total current assets		205,270	226,362
Non-current assets			
Restricted cash	16	16,469	14,426
Property, plant and equipment, net	9	504,663	341,704
Intangible assets, net	10	19,428	5,157
Deferred tax assets	14	—	6,674
Equity-accounted investees	7	21,771	29,148
Long-term contract assets	23	33,707	—
Loans and investments	13	133,797	69,915
Total non-current assets		729,835	467,024
Total assets		935,105	693,386

See notes to the consolidated financial statements.

ANAERGIA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2022 and 2021
All amounts in thousands of Canadian dollars

		December 31,	December 31,
		2022	2021
		\$	\$
Current liabilities			
Line of credit	15	5,451	5,113
Accounts payable		70,916	30,355
Accrued liabilities and provisions	17	59,587	51,277
Taxes payables	14	7,949	8,023
Current portion of deferred government grants	25	3,090	1,223
Current portion of contract liabilities	23	11,776	6,900
Current portion of lease liabilities		1,157	1,032
Current portion of long-term debt	16	11,817	5,263
Total current liabilities		171,743	109,186
Non-current liabilities			
Long-term debt	16	344,385	196,115
Lease liabilities		14,836	13,975
Deferred tax liabilities	14	6,541	—
Long-term portion of deferred government grants	25	46,214	41,561
Long-term portion of contract liabilities	23	3,427	2,668
Due to related parties	29	—	4,075
Asset retirement obligation	17	5,819	2,410
Total non-current liabilities		421,222	260,804
Total liabilities		592,965	369,990
SHAREHOLDERS' EQUITY			
Non-controlling interests	18	133,303	119,870
Issued capital	19	397,246	340,567
Preferred Capital in a subsidiary	18	47,678	23,679
Contributed surplus		6,700	5,365
Deficit		(257,801)	(175,885)
Accumulated other comprehensive income		15,014	9,800
Total equity		342,140	323,396
Total liabilities and equity		935,105	693,386

Commitments and contingencies Note 22
Subsequent events Note 31

See notes to the consolidated financial statements.

On behalf of the board:

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

ANAERGIA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2022 and 2021

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

	Notes	December 31,	
		2022	2021
		\$	\$
Revenue	23	162,853	129,873
Cost of sales		134,256	105,019
Gross profit		28,597	24,854
Selling and general administrative expenses		58,565	40,576
Research and development expenses		2,609	1,804
Grant income	25	(144)	(2,833)
		61,030	39,547
Loss from operations		(32,433)	(14,693)
Gain / (loss) on Rialto embedded derivative	16	(16,676)	5,673
Loss on equity-accounted investees	7	(5,860)	(3,316)
Other losses, net	27	(4,231)	(2,420)
Finance income (costs)		(1,211)	917
Foreign exchange gain / (loss)		222	1,248
		(27,756)	2,102
Loss before income taxes		(60,189)	(12,591)
Income tax expense	14	(14,523)	(1,516)
Net income (loss)		(74,712)	(14,107)
Item that may be reclassified back to profit or loss in future periods			
Exchange difference on translation of foreign operations		10,764	(3,674)
Total comprehensive loss		(63,948)	(17,781)
Net (loss) income attributable to:			
Shareholders		(64,282)	(17,214)
Non-controlling interests		(10,430)	3,107
		(74,712)	(14,107)
Total comprehensive (loss) income attributable to:			
Shareholders		(55,691)	(20,888)
Non-controlling interests		(8,257)	3,107
		(63,948)	(17,781)
Basic and diluted loss per share	28	(0.83)	(0.53)

See notes to the consolidated financial statements.

On behalf of the board:

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

ANAERGIA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

All amounts in thousands of Canadian dollars

	Issued Share Capital	Preferred Capital	Deficit	Accumulated Other Comprehensive Income (Loss) - Currency Translation Reserve	Contributed Surplus	Total	Non- controlling Interests	Total Equity (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2021	130,178	9,861	(124,464)	13,526	5,736	34,837	82,504	117,341
Net loss	—	—	(17,391)	—	—	(17,391)	1,826	(15,565)
Adoption of accounting standard (Note 4)	—	—	177	—	—	177	1,281	1,458
Other comprehensive income (loss)	—	—	—	(3,674)	—	(3,674)	—	(3,674)
Total comprehensive income (loss)	—	—	(17,214)	(3,674)	—	(20,888)	3,107	(17,781)
Issuance of preferred capital (SoCal Biomethane, Note 18)	—	13,818	—	—	—	13,818	—	13,818
Profit sharing arrangement - SoCal (Note 18)	—	—	(14,165)	—	—	(14,165)	14,165	—
Subordinate voting shares issued net of issuance costs (Note 19)	185,226	—	—	—	—	185,226	—	185,226
Warrants exercised (Note 19)	25,163	—	—	—	(910)	24,253	—	24,253
Profit sharing arrangement - Rialto (Note 18)	—	—	(20,042)	(52)	—	(20,094)	20,094	—
Share-based compensation (Note 20)	—	—	—	—	539	539	—	539
As at December 31, 2021	340,567	23,679	(175,885)	9,800	5,365	203,526	119,870	323,396

ANAERGIA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

All amounts in thousands of Canadian dollars

	Issued Share Capital	Preferred Capital	Deficit	Accumulated Other Comprehensive Income (Loss) - Currency Translation Reserve	Contributed Surplus	Total	Non- controlling Interests	Total Equity (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2022	340,567	23,679	(175,885)	9,800	5,365	203,526	119,870	323,396
Net loss	—	—	(64,282)	—	—	(64,282)	(10,430)	(74,712)
Other comprehensive income	—	—	—	8,591	—	8,591	2,173	10,764
Total comprehensive income (loss)	—	—	(64,282)	8,591	—	(55,691)	(8,257)	(63,948)
Transaction costs (Note 19)	—	—	(4,125)	—	—	(4,125)	—	(4,125)
Bioener acquisition non-controlling interest (Note 6)	—	—	—	—	—	—	4,804	4,804
Issuance of preferred capital (Anaergia Bioenergy Facilities, Note 18)	—	23,999	—	—	—	23,999	—	23,999
Profit sharing arrangement - Anaergia Bioenergy Facilities (Note 18)	—	—	(24,974)	(1,116)	—	(26,090)	26,090	—
Exercise of stock options	4	—	—	—	—	4	—	4
Subordinate voting shares issued net of issuance costs	56,675	—	—	—	—	56,675	—	56,675
Profit sharing arrangement - Rialto (Note 18)	—	—	11,465	(2,261)	—	9,204	(9,204)	—
Share based compensation (Note 20)	—	—	—	1,335	—	1,335	—	1,335
As at December 31, 2022	397,246	47,678	(257,801)	15,014	6,700	208,837	133,303	342,140

ANAERGIA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

All amounts in thousands of Canadian dollars

For the years ended December 31	Notes	<u>2022</u>	<u>2021</u>
		\$	\$
OPERATING ACTIVITIES			
Net income (loss)		(74,712)	(14,107)
Adjustments for the following non-cash items:			
Depreciation and amortization		3,541	3,354
Income tax expense		14,523	1,516
Finance costs (income)		1,211	(917)
Share based compensation expense	20	1,335	539
Loss (gain) on Rialto embedded derivative		16,676	(5,673)
ERP costs expensed		—	861
Customer provision		—	3,473
Loss on equity-accounted investees		5,860	3,316
Government grant income	25	(144)	(2,833)
Other losses		4,231	(816)
Net change in operating assets and liabilities	30	35	(47,814)
Net cash paid for income taxes		(3,114)	(458)
Other items		—	(39)
Cash provided by (used in) operating activities		<u>(30,558)</u>	<u>(59,598)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(110,037)	(66,630)
Borrowing costs paid for plant under construction		(11,924)	(10,552)
Investment in intangible assets		(456)	(399)
Investment in long term assets		(67,933)	(45,507)
Purchase of assets	9	—	(4,493)
Purchase of business	6	—	(1,212)
Investment in equity-accounted investees	7	(2,154)	(9,809)
Cash provided by (used in) investing activities		<u>(192,504)</u>	<u>(138,602)</u>
FINANCING ACTIVITIES			
Restricted cash utilization / (funding)		(1,889)	(15,155)
Proceeds from issuance of share capital	19	55,929	199,402
Proceeds from grant funding	25	4,247	9,637
Proceeds from warrants exercise	19	—	10,019
Proceeds from issuance of preferred capital in a subsidiary	18	23,999	13,818
Transaction costs	19	(7,450)	(14,176)
Proceeds from borrowings		133,571	44,383
Lease payments	8	(2,020)	(1,459)
Cash paid for interest		(2,333)	(1,301)
Repayment of debt		(5,919)	(10,731)
Proceeds from line of credit	15	—	5,113
Cash provided by (used in) financing activities		<u>198,135</u>	<u>239,550</u>
Effect of exchange rate differences		988	(3,197)
Net increase (decrease) in cash and cash equivalents during the year		(23,939)	38,153
Cash and cash equivalents, beginning of year		<u>79,317</u>	<u>41,164</u>
Cash and cash equivalents, end of year		<u>55,378</u>	<u>79,317</u>

See notes to the consolidated financial statements.

ANAERGIA INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

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

1. Corporate information

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

The Company was incorporated on September 3, 2010, under the *Canada Business Corporations Act*. On December 21, 2018, the Company was continued under the *Business Corporations Act* (British Columbia). The Company is headquartered in Burlington, Ontario, Canada and as at December 31, 2022, is controlled by Dr. Andrew Benedek, a resident of Canada.

The consolidated financial statements of the Company were authorized for issue on April 10, 2023, by the Board of Directors of the Company.

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the Group’s functional currency. The functional currency of the Group’s entities is the currency of their primary economic environment. Within Group entities, transactions in foreign currencies are recorded at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Any resulting exchange differences are recognized within the consolidated statements of operations and comprehensive loss.

On consolidation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars, being the presentation currency, at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account within accumulated other comprehensive income.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company transactions and balances have been eliminated on consolidation.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, has exposure or rights to variable returns from its involvement in the subsidiary, and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences (date of acquisition) until the date that control ceases (date of disposal or loss of control). A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Refer to Note 29 – *Related Parties* for further details on the Company’s subsidiaries.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

In circumstances in which the Group and the non-controlling interest enter into an arrangement to share profits or losses in a manner other than in proportion to their ownership interest, the Group accounts for the profit/loss sharing arrangement separately in the consolidated statements of changes in equity by attributing any additional profits/losses to the controlling and non-controlling interest based on the terms of the agreement.

See details of the Group's non-controlling interests in Note 18.

Equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's equity-accounted investees comprise interests in associates and joint ventures. They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, until the date on which significant influence or joint control ceases.

If the Group's share of losses in an equity-accounted investee equals or exceeds its interest, the Group does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee.

Unrealized gains or transactions between the Group and its equity-accounted investee are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset.

2.3 Summary of significant accounting policies

A. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Cash equivalents, representing short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

B. Restricted cash

Restricted cash consists of funds that are net of receipts collected by the Bond Holder ("Trustee") on account of project operational revenue and disbursements made for operations and maintenance expenses. Trustees are appointed by the Company's subsidiaries in consultation with the lenders under the terms of respective executed lending or financing agreements.

C. Government grants

The Group is a party to various government grant programs. The Group recognizes an unconditional government grant related to an asset in profit or loss as grant income in the consolidated statements of operations and comprehensive loss when the grant becomes receivable. Other government grants related to assets are initially recognized at fair value if there is reasonable assurance that the grant will be received, and the Group will comply with the conditions associated with the grant. Such amounts are initially deferred and then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

D. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average cost and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or slow moving or declining selling prices. When circumstances which previously caused inventories to be written down to their net realizable value no longer exist or there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

E. Income tax

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred tax is recognized in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for taxation purposes and their carrying amounts for financial reporting purposes.

Deferred tax is not recognized for the following:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company's subsidiaries. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it becomes probable that future taxable profits will be available against which they can be used. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities, and the deferred tax relates to the same taxable entity and the same taxation authority.

F. Property, plant, and equipment

Property, plant, and equipment ("PP&E") are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs for long-term construction projects, if the recognition criteria are met. Likewise, when a major overhaul is performed, its cost is recognized in the carrying amount of the related PP&E as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in profit and loss as incurred. The present value of the expected cost for decommissioning is included in the cost of the related asset if the recognition criteria for a provision are met.

Depreciation is recorded to recognize the cost of assets over their useful lives, using the straight-line method.

Construction work-in-progress ("CWIP") assets are not depreciated until the associated project is complete and the asset available for use. The Group records depreciation over the following useful lives:

Building	15 to 20 years
Leasehold improvements	lesser of 3 to 5 years and expected lease term
Office furniture and equipment	5 to 7 years
Equipment and machinery	3 to 20 years
Computer hardware	3 to 5 years
Vehicles	3 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate on a prospective basis.

G. Intangible assets including goodwill

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets, including customer relationships and patents that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with a finite life that are acquired separately or in a business combination are recognized when they are identifiable and can be reliably measured. Intangible assets are considered to be identifiable if they arise from contractual or other rights, or if they are separable (i.e., they can be disposed of either individually or together with other assets). Intangible assets may be revalued to fair value if fair value can be measured reliably in an active market. Revaluation changes are recognized directly in equity for all assets in the same class if an active market exists.

Amortization

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful life and assessed for impairment when there is an indication that the intangible asset may be impaired. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

Intangible assets with finite useful lives are amortized over the estimated useful lives using the straight-line method as follows:

Patents	10 to 20 years
Computer software and licenses	3 to 5 years
Customer lists and relationships	2 to 4 years

Intangible assets with indefinite useful lives, such as goodwill, are not amortized, but are tested for impairment annually and when circumstances indicate that the carrying value may be impaired, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

On disposal of a Cash generating unit ("CGU"), the amount of goodwill attributable to the CGU is included in the determination of the profit or loss on disposal.

H. Impairment of non-financial assets

For the purpose of impairment testing, goodwill is allocated to each of the Group's CGU's (or groups of CGUs) expected to benefit from the synergies of the business combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets, including goodwill to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination giving rise to the goodwill.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. The impairment loss first reduces the carrying amount of any goodwill allocated to the CGU, and then the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

I. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost on the accompanying consolidated statement of comprehensive loss.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfill the obligation under the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

The Group recognizes its obligation for expected costs to restore property at the end of its useful life by recording during construction the estimated fair value of this obligation as other long-term liabilities with a corresponding amount recognized as property, plant and equipment. The property, plant and equipment amount is amortized over the life of the asset. The value of the obligation is assessed for changes in the expected timing, changes in the discount rate, and extent of expenditures with changes related to the time value of money recorded as accretion expense.

J. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component when dis-aggregated information is not readily available. For leases and contracts that contain a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date, which is the earlier of when the leased asset is available for use or when rent payment starts. Each lease payment is allocated between lease liabilities and financing costs. Financing costs are recognized within the consolidated statements of operations and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of lease liabilities for each period.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located (restoration costs), less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term (or the underlying asset's useful life if shorter than the lease term), unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset is recognized at cost and depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant, and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable by the Group under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

K. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding taxes or duty.

i) Contract modifications

Contracts are often modified for a change in scope or other requirements. The Group considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Group's contract modifications are for goods or services that are not distinct from the existing performance obligations. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catch-up basis.

ii) Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. Performance obligations are satisfied at a point in time or over time and are supported by contracts with customers. For most of the Group's contracts, there are multiple promises of goods or services. Typically, the Group provides a significant service of integrating a complex set of tasks and components such as design, engineering, construction management, and equipment procurement for a project contract. The bundle of goods and services is provided to deliver one output for which the customer has contracted. In these cases, the Group considers the bundle of goods and services to be a single performance obligation. The Group may also promise to provide distinct goods or services within a contract, such as a project contract for installation of energy conservation measures and post installation Operation & Maintenance ("O&M") services. In these cases, the Group separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Group allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

iii) Practical Expedients

At the inception of a contract, the Group expects the period between when it satisfies its performance obligations and when the customer pays for the services, will be one year or less. As such, the Group has elected to apply the practical expedient which allows the Group to not adjust the promised amount of consideration for the effects of a significant financing component, when a financing component is present.

When the Group receives consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, the Group records deferred revenue, which represents a contract liability. Such contract liability typically results from billings in excess of relative satisfaction of the performance obligation.

The specific recognition criteria described below must also be met before revenue is recognized:

iv) Capital sales

Capital sales revenue comprises of the sales of technology packaged solutions and services to third party customers, predominantly municipalities and project developers. This includes engineering services, propriety product sales, Engineering, Procurement and Construction ("EPC") contracts, or a combination thereof. Revenue for EPC contracts is recognized as the performance obligations are satisfied over time, based on costs incurred relative to the estimated total contract costs to be incurred over the term of the EPC contracts. Transfer of control of the construction assets occurs as the costs to fulfill the contract are incurred. Progress billings on the contract that exceed the relative satisfaction of the performance obligation are reported as a contract liability on the consolidated statements of financial position. When costs incurred to fulfill the contract exceed the amount of progress billings, the difference is reported as a contract asset on the consolidated statements of financial position.

Engineering services revenue is recognized during the period in which the services are delivered and revenue from proprietary product sales is recognized at the point in time at which control is transferred, which is typically upon delivery.

When the estimate on a contract indicates a loss or claims against costs incurred reduce the likelihood of recoverability of such costs, the Group records the entire estimated loss in the period the loss becomes known.

v) Services

Services consists of third-party services contracts, generally 5-10 years in length, with customers that typically include municipalities and project developers that utilize the Group's technology solutions. Revenue from services is recognized ratably as services are performed in satisfaction of the performance obligation.

vi) Build, own and operate

Build, own and operation consists of building, owning, and operating greenfield or brownfield bio-gas facilities, and selling the resulting energy produced. The performance obligations under the agreements are a series of distinct performance obligations which are satisfied at a point in time when the energy is delivered or waste is received from waste management customers. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated generation since the last meter reading date to the end of the year and represents the amount that the Group has the right to bill.

L. Research and development costs

Research costs are expensed as incurred. Development costs are also expensed as incurred unless the related criteria for its recognition as an intangible asset are met.

M. Share-based payments

Certain executives and employees of the Group receive remuneration in the form of equity based awards.

The cost of equity-settled transactions is based upon the fair value of the equity instruments. The cost is recognized over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in contributed surplus which is presented within equity/deficiency in the consolidated statements of financial position. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the extent to which the vesting period has expired.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified and as if the original terms of the award had been met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is canceled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the canceled award and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. As of the date of the modification, the existing liability is derecognized. The fair value of the equity instruments granted at the modification date is recognized in equity to the extent to which goods or services have been received. Any difference between the liability derecognized and the amount recognized in equity is reflected immediately in the consolidated statements of operations and comprehensive loss.

Fair values of share options are calculated using the Black-Scholes valuation method as of the grant date and adjusted for estimated forfeitures.

Any excess is recognized in contributed surplus. If the fair value of a modified award is less than or equal to the fair value of the original award, the offsetting amount is also recorded to contributed surplus.

N. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of assets and activities meets the definition of a business and control is transferred to the Group. In determining whether a particular set of assets and activities is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The acquired identifiable assets, liabilities and contingent consideration that meet the conditions for recognition under IFRS 3, *Business Combinations* are recognized at their fair values at the acquisition date, except for (i) income taxes, which are measured in accordance with IAS 12, *Income Taxes*; (ii) share-based payments, which are measured in accordance with IFRS 2, *Share-based Payment*; and (iii) non-current assets that are classified as held for sale, which are measured at fair value less costs to sell in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any gain on a bargain purchase is recognized immediately in profit or loss.

The Group may elect on a transaction-by-transaction basis to apply the optional concentration test to assess whether a transaction qualifies as a business. Under the test, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the Group will account for the transaction as an asset purchase and not a business combination.

If the concentration test is not met, or the Group elects not to apply this optional test, the Group will perform an assessment focusing on the existence of inputs and processes that have the ability to create outputs to determine whether the transaction is an asset purchase or a business combination.

In a business combination, it is necessary to recognize contingent future payments to previous owners, representing contractually defined potential amounts as a liability, or as equity, depending on the characteristics of the consideration. Usually for the Group these contingent events are linked to development or commercial milestones related to certain assets. Contingent consideration is measured at fair value, with subsequent changes in liability classified contingent consideration recognized through the statement of loss and comprehensive loss. Subsequent changes in equity classified contingent consideration are recognized directly in equity.

O. Financial instruments - classification and measurement

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Financial instruments related to all contract assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract. All other financial instruments are considered non-current if they are expected to be realized more than 12 months after the reporting period.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Contingent assets are not recognized in the consolidated financial statements as this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Financing costs related to securing long-term debt are amortized over the duration of the loan agreement using the effective interest rate method.

Derivative financial instruments are recorded at their fair value at the reporting date, with changes in fair value recognized in the consolidated statements of operations and comprehensive loss. Derivative instruments with positive fair values are reported as derivative assets. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

(ii) Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

- (a) Amortized cost; and
- (b) Fair value.

When assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (i.e. FVTPL), or recognized in other comprehensive income (i.e. FVTOCI).

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- (a) the financial asset is held within a business whose objective is to hold financial assets to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is de-recognized or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is de-recognized, except for financial liabilities classified as FVTPL. These financial liabilities are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship. The following table outlines the classification of financial instruments under IFRS 9:

Financial assets

Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Contract assets	Amortized cost
Embedded derivative	FVTPL
Loans	Amortized cost
Investments in equity securities	FVTPL

Financial liabilities

Line of credit	Amortized cost
Accounts payable	Amortized cost
Long-term debt	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

(iii) *De-recognition of financial assets and liabilities*

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

A financial liability is de-recognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, canceled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

(i) *Impairment of financial assets*

The Company uses an expected credit loss (“ECL”) model. The loss allowances is measured on either of the following bases:

- 12-month ECLs – these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs – these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group is using the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are within the scope of IFRS 15 and that do not have a significant financing component.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held), or the financial asset is more than 90 days past due.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

P. Reclassification

The Company has reclassified certain immaterial items on the comparative consolidated statement of financial position, statements of operations and comprehensive loss to improve clarity and conform to the current year presentation.

3. Significant accounting judgments, estimates, and assumptions

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

Key areas of judgment

i) Evaluation of control over investees

The Group regularly assesses its control for each investee on an ongoing basis. In evaluating whether the Group controls investees, management applies judgment to assess whether it holds existing rights that give it the current ability to direct the relevant activities of the investee, has exposure or rights to variable returns from its involvement in the investee, and has the ability to use its power to affect its returns. Judgment is also required to determine the point in time at which the Group can exercise such rights and abilities.

ii) Componentization and useful lives of property, plant, and equipment:

Amounts recorded for depreciation and amortization expense are based on the Group's componentization of its property, plant, and equipment and management's estimates 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.

iii) Determining CGUs

For the purpose of assessing impairment of non-financial assets, the Group must determine its 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 management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

iv) Arrangements that may contain a lease

The Group applies judgment when determining whether an arrangement contains a lease. For leases identified, the Group exercises judgment in determining the lease term, lease components, and the underlying value of the leased asset.

v) 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. 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 recoverable amount is the higher of an asset's fair value less costs of disposal and 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. The Company conducted an impairment test on two CGUs, see Note 9 for details.

Key areas of estimation uncertainty

i) 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.

ii) Fair value of financial instruments

Certain financial instruments, such as embedded derivative financial instruments, are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in profit and loss. 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.

iii) Estimated credit losses

The Group maintains 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. Based on this review, the Company's allowance for expected credit losses as at December 31, 2022 is \$9.0 million due to increased lending to related parties and increased trade receivables.

iv) Business combination accounting

The Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. The Company measures 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 our previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. At the acquisition date, the Company measures the fair values of all assets acquired and liabilities assumed that arise from contractual contingencies. The Company measures the fair values of all non-contractual contingencies if, as of the acquisition date, it is more likely than not that the contingency will give rise to an asset or liability.

v) Recoverability of long-lived assets

The Group tests annually or more frequently if necessary, whether goodwill or other long-lived assets have suffered any impairment in accordance with the accounting policies provided in note 2.3(G) and 2.3(H). Performing impairment testing requires management to determine the estimated recoverable amount of the relevant cash generating units on the basis of 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 the Company's assumptions as to prices, costs or other factors that may result in changes in the Company's estimates of future cash flows.

4. Adoption of new accounting standards

Effective January 1, 2022, the Group adopted the amendment to IAS 16 - Proceeds before intended use. This amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the assets for its intended use. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The Group has measured the cost of those items in accordance with IAS 2, Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly." IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. The proceeds received prior to intended use by the Group relates principally to fees received from waste disposal tonnage at the Company's Rialto, Rhode Island and Charlotte locations. During the year ended December 31, 2022, the Group recognized \$7,439 in revenue and \$4,249 in associated costs relating to incidental revenue from assets that are not yet placed into service.

The Group has adopted the amendment retrospectively for assets which were not available for use prior to January 1, 2021. Accordingly, the Group has recognized the cumulative effect of initially applying the amendment as an adjustment to the opening balance of accumulated deficit at January 1, 2021, and has adjusted its comparative balances, results from operations, and cash flows for proceeds received and costs incurred for the comparative periods ended December 31, 2021.

	As at December 31, 2021 - as reported	Adjustment for amendment of IAS 16	As at December 31, 2021 - Adjusted
Consolidated Statement of Financial Position			
Property, plant and equipment, net	\$ 340,246	\$ 1,458	341,704
Total non-current assets	465,566	1,458	467,024
Total assets	\$ 691,928	\$ 1,458	693,386
Non-controlling interests	118,589	1,281	119,870
Deficit	(176,062)	177	(175,885)
Total equity	321,938	1,458	323,396
Total liabilities and equity	\$ 691,928	\$ 1,458	693,386

	For the year ended December 31, 2021 - as reported	Adjustment for amendment of IAS 16	For the year ended December 31, 2021 - Adjusted
Consolidated statement of operations and comprehensive loss			
Revenue	\$ 127,048	\$ 2,825	129,873
Cost of sales	103,652	1,367	105,019
Gross profit	23,396	1,458	24,854
Loss from operations	(16,151)	1,458	(14,693)
Loss before income taxes	(14,049)	1,458	(12,591)
Net loss	(15,565)	1,458	(14,107)
Total comprehensive loss	(19,239)	1,458	(17,781)
Net (loss) income attributable to shareholders	(17,391)	177	(17,214)
Net (loss) income attributable to non-controlling interests	1,826	1,281	3,107

	For the year ended December 31, 2021 - as reported	Adjustment for amendment of IAS 16	For the year ended December 31, 2021 - Adjusted
Consolidated statement of cash flow			
Net income (loss)	\$ (15,565)	\$ 1,458	(14,107)
Cash provided by (used in) operating activities	(61,056)	1,458	(59,598)
Purchase of property, plant and equipment	(65,172)	(1,458)	(66,630)
Cash provided by (used in) investing activities	(137,144)	(1,458)	(138,602)

5. New and revised IFRS Standards in issue but not yet effective

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counter-party of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. Currently, the Group is evaluating the impact of this amendment to the Group's financial statements.

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

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

Amendments to IAS 1 - Presentation of Financial Statements

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

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

In May 2021, the IASB issued amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify the accounting of deferred tax on transactions such as leases and decommissioning obligations. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition (this is also explained in the newly inserted paragraph IAS 12.22A). The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

6. Business Combinations

Bioener S.p.A.

On December 4, 2020, Anaergia S.r.l entered into an agreement to acquire a 51% ownership interest in Bioener from its shareholders, to be followed by a scheduled increase of capital increasing ownership to 60% and then 70%. Bioener holds an 80% interest in Bionet S.r.l. ("Bionet"), a project company awarded a contract for the construction and operation of an anaerobic digestion plant in Udine, Italy. The Group was not considered to have control over Bioener until it had the requisite number of directors to direct the relevant activities. On May 30, 2022, the Group determined that it had obtained control of Bioener by having rights to 70% of the share capital, which would allow the Group to call a shareholder meeting and appoint the requisite number of directors to direct the key activities of Bioener, if the Group considered this necessary.

As the transaction constituted a business combination achieved in stages, the Group remeasured its equity investment in Bioener to its fair value immediately prior to obtaining control and recognized a \$3,272 gain. The purchase consideration consisted of \$8,247 of loans receivable previously made to Bioener and that are effectively considered settled due to the transaction and the fair value of the equity previously invested in Bioener of which \$6,213 was determined based on reference to cash consideration paid in a recent equity issuance of the acquiree. The loans receivable previously issued to Bioener were remeasured to fair value using a yield to maturity discounted cash flow analysis. As a result of the transaction, the Group recorded goodwill of \$1,166 and non-controlling interest of \$4,804. The excess of the purchase consideration, comprised of the settled loans and the fair value of the Company's previous equity interest, over the fair value of identified assets and liabilities was recorded as goodwill of \$1,166. None of the goodwill recognised is expected to be deductible for income tax purposes. Included in selling, general and administrative expenses in the Group's statement of operations and comprehensive loss for the year ended December 31, 2022, acquisition related costs were \$46.

IFRS 3, Business Combinations, provides for a measurement period which shall not exceed one year from the acquisition date, during which the acquirer reports in its financial statements provisional amounts if the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs.

The acquiree's operations are subject to complex regulations regarding the pricing of certain outputs as well as uncertainty regarding operating metrics associated with the intended facility. The Group has conducted a preliminary assessment of the expected pricing based on regulations in place on May 30, 2022, as well as the expected operating metrics using the initial designs. The Group will continue to review these matters during the measurement period and adjust inputs into its fair value determinations of acquired intangible and contract assets, as well as related tax effects and resulting goodwill, if required. In addition, the fair value of the equity previously invested in Bioener at the date control has been measured provisionally, pending completion of an independent valuation.

If new information obtained within the measurement period regarding facts and circumstances that existed at the date of acquisition identified adjustments to the above amounts, then provisionally reported amounts will be adjusted retrospectively.

The below table summarizes the Group's preliminary purchase price allocation of identifiable assets and liabilities of Bioener and its consolidated subsidiary, Bionet.

Consideration	CAD \$
Fair value of assets and liabilities settled, net	8,247
Total consideration transferred	8,247
Fair value of equity previously invested in Bioener	6,213
	<u>14,460</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Value added tax receivable	781
Other financial assets	2,848
Non-financial assets	1,300
Contract asset	16,639
Intangible asset - customer contract	12,214
Accounts payable and accrued liabilities	(8,152)
Deferred tax asset (liability)	(1,732)
Assumed long-term debt	(5,800)
Total identifiable net assets	<u>18,098</u>
Non-controlling interest	(4,804)
Goodwill	<u>1,166</u>
	<u>14,460</u>

Operating Arrangement - Bionet S.r.L.

On October 24, 2017, subsequently amended July 22, 2022, Bionet, entered into an operating arrangement with wholly owned subsidiary of the municipality of Udine Italy, the "Udine Arrangement." The municipality has committed €9,111 and a location to build a waste treatment plant in the city. The Udine Agreement will have an operation phase of twenty-six years once the facility has been built by the Group and accepted by Udine. At the conclusion of the operation phase, the plant being constructed will revert back to the municipality which is currently expected to take place in 2049. The Udine Agreement provides a guaranteed minimum amount of waste for the plant of 54,000 tonnes per year, which Bionet will be compensated for processing based on an initial market rate €75.0 per ton with annual increases of 1.5% prescribed by the contract. During the twenty-five-year period, the Group is allowed to operate the plant, produce renewable natural gas and sell the gas and other by-products to third-party customers. Currently, the Group is constructing the plant and plans on recognizing construction services revenue based on the fair value of services provided during the construction phase of the Udine Agreement. During the year ended December 31, 2022, the Group recognized \$14,315 in construction revenue and \$13,172 in construction costs for the Udine Agreement. Had Bioener been consolidated from January 1, 2022 to May 30, 2022, the consolidated statement of operations and comprehensive loss would have included additional revenue of \$10,561 and additional profit of \$690. The total construction costs for the Udine plant are anticipated to be \$59,808. At December 31, 2022, Bionet has incurred \$33,619 of construction costs included in contract assets on the accompanying statement of financial position.

Envo Group

On October 27, 2021, the Company, through Anaergia Europe GmbH ("AEG" or the "Buyer") purchased 100% of the issued and outstanding share capital of the Envo Group A/S (the "Envo Group") for consideration of € 1.0 million. As at December 31, 2022, the Group has paid all but \$144.

The below tables summarizes the purchased assets of Envo Group as of the transaction date:

Consideration	CAD \$
Cash	215
Payments to be made at a later date	1,221
Net receivables and payables given prior to transaction date and subsequently settled	(1,271)
Total consideration transferred	165
Acquisition-related costs (included in selling, general and administrative expenses in the statement of comprehensive loss for the year ended December 31, 2021)	50
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	47
Other current assets	16
Property, plant and equipment	63
Accounts payable and accrued liabilities	(395)
Tax payable	(122)
Long-term debt	(144)
Lease liabilities	(33)
Total identifiable net assets	(568)
Goodwill	733
	165

7. Equity-accounted investees

The Group has the following equity-accounted investees:

	Percent Ownership		Carrying Amount	
	2022	2021	2022	2021
			\$	\$
Fibracast Ltd.	45.7%	47.1%	21,771	27,391
Medcon & db Technologies JV	40.0%	40.0%	—	—
WTE Holdings S.r.l.	55.0%	55.0%	—	—
Bioener S.p.A.	*	51.0%	—	1,757
Total			21,771	29,148

* Control acquired in May 2022, see Note 6. Bioener had pre-acquisition losses during the year of \$240.

a) Fibracast

Fibracast is a manufacturer of water treatment membranes domiciled in Ontario, Canada.

During 2021, the Group loaned Fibracast \$9.0 million which was subsequently converted to equity of Fibracast resulting in the Group obtaining an additional 9,150,000 shares of Fibracast. Separately, Fibracast issued 7,262,819 shares to a third party for proceeds of \$7,263. The third party financing reduced the Group's interest in Fibracast from 49% to 47.1% and resulted in the recognition of a dilution gain of \$2,196 for the cash received in the offering.

During 2022, one of Fibracast's officers exercised 2,407,186 options which further diluted the Groups interest to 45.7% and resulted in a dilution loss of \$663.

The following table reconciles the financial information to the carrying amount of the Group's interest in Fibracast.

Investment in Fibracast	2022	2021
Beginning balance	27,391	19,801
Capital contribution to Fibracast	—	9,000
Contribution of amount advanced in prior period	—	1,000
Net (loss)/gain on dilution of ownership interest	(656)	2,346
Share of Fibracast net loss	(4,964)	(4,756)
Ending balance	21,771	27,391

The table summarizes the financial information as included in Fibracast's own financial statements.

	2022	2021
Percentage ownership interest	46%	47%
Current assets	9,825	10,792
Non-current assets	19,573	12,776
Current liabilities	13,192	9,406
Non-current liabilities	19,366	6,102
Net assets (100%)	(3,160)	8,060
Company's share of net assets	(1,443)	3,788
Fair value increment, less accumulated losses and adjustments	23,214	23,603
Carrying amount of investment in Fibracast	21,771	27,391
	2022	2021
Revenue (100%)	6,237	1,465
Net loss (100%)	(10,548)	(9,892)
Other comprehensive income (loss) (100%)	—	—
Total comprehensive income (loss) (100%)	(10,548)	(9,892)
Company's share of net loss	(4,964)	(4,756)

As at December 31, 2022, Fibracast had contingent liabilities outstanding of \$2,164, and future capital commitments for raw material inventories and capital expenditures of \$2,877.

b) Medcon & db Technologies JV & MD Limassol Waste Management Company Ltd.

The Company's subsidiary, dbTechnologies BV ("dbT") owns a 40% interest in a joint arrangement for the design, construction, and operation of integrated installations for the management of municipal solid waste and waste transfer in Limassol, Cyprus. As a result of losses of the joint arrangement, the carrying value of the Group's interest as of December 31, 2022 is nil. The Group also has loans receivable owed from the joint venture as disclosed in Note 29.

c) *WTE Holdings S.r.l.*

On December 30, 2020, Anaergia S.r.l.(a subsidiary of the Company) and Renewable Environmental Engineering S.r.l. (“Renewable”) , an unrelated third party, entered into an agreement to acquire from shareholders of the holding company WTE Holding S.r.l (“WTEH”), respectively, 55% and 45% of the ownership interest in WTEH. Anaergia has determined that it does not control WTEH and therefore accounts for its investment using the equity method. Anaergia transferred its interests in Calimera BIO S.r.l (“Calimera”), Easy Energia – Ambiente S.r.L. (“EE”) , Recall Latina S.r.l. (“RL”) , Biogas Sardegna Green S.r.l. (“BS Green”) and in Ambiente & Risorse S.r.l to WTEH.

The table below details WTEH's ownership in underlying Build-own-operate (BOO) entities.

Entity	Ownership %
Calimera BIO S.r.l (“Calimera”)	60%
Easy Energia – Ambiente S.r.L (“EE”)	100%
Recall Latina S.r.l. (“RL”)	100%
Biogas Sardegna Green S.r.l. (“BS Green”)	60%
Ambiente & Risorse S.r.l.	100%

The following table reconciles the financial information to the carrying amount of the Group’s interest in WTEH.

Investment in WTE	2022	2021
Beginning balance	—	—
Capital contribution	—	63
Share of net loss	—	(63)
Ending balance	—	—

Summarized financial information of WTEH, based on its separate financial statements prepared under IFRS, is presented as follows:

	2022	2021
Percentage ownership interest	55%	55%
Current assets	26,233	18,633
Non-current assets	181,923	84,421
Current liabilities	41,938	88,419
Non-current liabilities	170,999	18,661
Net assets (100%)	(4,781)	(4,026)
Company's share of net assets	(2,630)	(2,214)
Effect of unrecognized deficit	2,630	2,214
Carrying amount of investment in WTE	—	—

Statements of operations and comprehensive loss of WTEH as at December 31:

	2022	2021
Revenue (100%)	6,721	—
Net income (loss) (100%)	(3,058)	(4,396)
Total comprehensive income (loss) (100%)	(3,058)	(4,396)
Company's share of net income (loss)	(1,682)	(2,418)
Unrecognized share of losses for the year	(1,682)	(2,418)
Cumulative unrecognized share of losses	(4,037)	(2,355)

As at December 31, 2022, WTEH had contingent liabilities regarding the letters of guarantees issued for and on its behalf in the aggregate amount of \$6,129 (€4,219) that was outstanding. WTEH had capital commitments of \$23,767 (€16,360) as at December 31, 2022.

The Group, through its capital sales segment sells equipment to WTEH's subsidiaries, which would typically be eliminated against unrealized profits of the equity method-investee, but due to the recurring losses of the equity method investee, the Group has been unable to eliminate these losses. During the year ended December 31, 2022 and 2021, the Group has \$44,915 (2021 - \$17,593) of un-eliminated net sales and corresponding un-eliminated cost of sales of \$32,799 (2021 - \$13,071).

8. Financial instruments – Fair values and risk management

Fair values

Financial instruments recorded at fair value on the consolidated statements of financial position are categorized based on the fair value hierarchy that reflects the significant of inputs used in determining the fair values. The Group uses observable market data wherever possible. The three levels of the fair value hierarchy are:

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instrument’s fair value.

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

<u>At December 31, 2021</u>	<u>Carrying amount</u>	<u>Fair Value</u>
		<u>Level 2</u>
Financial assets		
Embedded derivative	24,410	24,410
	24,410	24,410
Financial (liabilities)		
Rialto bonds	(143,686)	(188,216)
Other long-term debt	(57,692)	(57,692)
	(201,378)	(245,908)
<u>At December 31, 2022</u>	<u>Carrying amount</u>	<u>Fair Value</u>
		<u>Level 2</u>
Financial assets		
Embedded derivative	8,669	8,669
	8,669	8,669
Financial (liabilities)		
Rialto bonds	(148,964)	(140,168)
Other long-term debt	(207,238)	(194,815)
	(356,202)	(334,983)

Measurement of fair values

The fair value of the Rialto bonds was determined using a discounted cash flow model based on prevailing interest rates at the year-end date for a similar instrument.

The Company used the yield to maturity discounted cash flow analysis to estimate the fair value of the other long-term debt at December 31, 2022. This method involves using national bank treasury yield rates and an option adjusted spread to determine the discounted cash flow for the loans to date of maturity. The option adjusted spread used was 3.71% at December 31, 2022, based on stated index prices.

The following table shows the valuation techniques used in measuring Level 2 fair values for financial instruments in the consolidated statements of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 2.3 (O).

Financial instruments measured at fair value

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

There were no transfers of fair value measurements between Level 1, Level 2, and Level 3 of the fair value hierarchy in the years ended December 31, 2022 and 2021.

Reconciliation of movements of liabilities to cash flows arising from financing activities

The following is a reconciliation between the opening and closing balances for liabilities arising from financing activities:

	Liabilities			
	Line of credit	Rialto bonds	Other long-term debt	Total
Balance at January 1, 2021	—	147,025	15,684	162,709
Cash flows, net	5,113	(2,840)	36,204	38,477
Foreign exchange adjustments	—	(603)	(80)	(683)
Non-cash additions	—	—	5,872	5,872
Interest accretion and other non-cash movements	—	104	12	116
Balance at December 31, 2021	<u>5,113</u>	<u>143,686</u>	<u>57,692</u>	<u>206,491</u>

	Liabilities				
	Line of credit	Rialto bonds	AIP Loans	Other long-term debt	Total
Balance at January 1, 2022	5,113	143,686	22,840	34,852	206,491
Cash flows, net	—	(3,175)	106,168	24,659	127,652
Foreign exchange adjustments	—	8,452	6,489	3,265	18,206
Non-cash additions	—	—	—	5,800	5,800
Interest accretion and other non-cash movements	338	1	3,164	1	3,504
Balance at December 31, 2022	<u>5,451</u>	<u>148,964</u>	<u>138,661</u>	<u>68,577</u>	<u>361,653</u>

Financial risk management

The Group has exposure to risks arising from financial instruments, including credit risk, liquidity risk, and market risk, which includes currency risk and interest rate risk.

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 the Group's activities.

Credit risk

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

The Group's 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. The Group mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The Group is monitoring the economic environment due to COVID-19 and is taking actions to limit its exposure to customers experiencing particular volatility.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. See the Group's aging analysis of trade receivables in Note 11 and concentration of revenue by line of business and geographic region from contracts with customers in Note 24. See information about the exposure to credit risk and ECLs for trade receivables and contract assets and annual testing for any indication of impairment in Note 2.3 (O).

As of December 31, 2022, 51% (2021 – 49%) of trade receivables were current.

Liquidity risk

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

The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash flow requirements to optimize its cash return on investments. The Group aims to maintain the level of its 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. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

In addition, the Group maintains a line of credit, available to be used for general corporate and working capital purposes.

The following table shows the remaining contractual maturities of the Group's financial liabilities. This table has been prepared based on the projected undiscounted cash flows of financial liabilities at the date on which interest and principal payments are due.

At December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years	Total Contractual Cash flows	Carrying Amount
Borrowings	18,926	76,348	280,352	375,626	201,378
Leases	1,916	7,057	16,580	25,553	15,007
Line of credit	5,113	—	—	5,113	5,113
Accounts payable	30,355	—	—	30,355	30,355
Accrued liabilities	51,277	—	—	51,277	51,277
Total	107,587	83,405	296,932	487,924	303,130

At December 31, 2022	Less than 1 year	Between 1 and 5 years	Over 5 years	Total Contractual Cash flows	Carrying Amount
Borrowings	35,943	179,216	398,430	613,589	356,202
Leases	1,157	8,412	27,279	36,848	15,993
Line of credit	5,451	—	—	5,451	5,451
Accounts payable	70,916	—	—	70,916	70,916
Accrued liabilities	59,587	—	—	59,587	59,587
Total	173,054	187,628	425,709	786,391	508,149

Market risk

Market risk is the risk that changes in market prices (foreign exchange rates, interest rates, and equity prices) will affect the Group's income or the value of its holdings of financial instruments. Market prices are subject to interest rate risk, currency risk, and other price risk, such as equity price risk.

The Group's financial instruments which are affected by market risk include loans and borrowings, deposits, 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.

Currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group operates internationally and is exposed to the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group monitors its exposure to currency risk and reviews whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US dollar, euro, pound sterling, Singapore dollar, Danish Krone or South Africa rand against all other currencies at year end would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

In thousands of	USD		EUR	
	2022	2021	2022	2021
Cash and cash equivalents	14,063	20,045	32,984	25,249
Trade receivables	13,469	13,285	28,502	19,839
Other receivables	677	2,364	4,975	801
Accounts payable and accrued liabilities	(34,592)	(24,531)	(66,074)	(34,831)
Long-term debt	(205,956)	(172,469)	(144,594)	(31,528)
Embedded derivative	8,679	24,410	(11)	—
Net exposure	(203,660)	(136,896)	(144,218)	(20,470)

A one cent (\$0.01) increase/decline in the Canadian dollar against the US dollar as at December 31, 2022, would have increased/decreased net earnings by \$136 (2021 – \$72).

A one cent (\$0.01) increase/decline in the Canadian dollar against the Euro as at December 31, 2022, would have increased/decreased net earnings by \$78 (2021 – \$34).

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimized its exposure to interest rate risk by securing fixed interest rate financing and non-interest-bearing government loans funding under various government programs.

9. Property, plant and equipment, net

The following table presents the summary of property, plant and equipment and related accumulated depreciation for the years ended December 31, 2022 and 2021:

	Property, Building and leasehold improvements \$	Office furniture and equipment \$	Equipment and machinery \$	Construction work-in- progress \$	Other ^(a) \$	Total \$
Cost						
Balance at January 1, 2021	19,712	2,202	25,727	216,817	1,795	266,253
Additions	10,052	670	142	72,031	320	83,215
Assets acquired on acquisition	18	12	—	11,403	40	11,473
Disposals and impairment	—	(4)	—	—	(2)	(6)
Exchange adjustment	(231)	(119)	(223)	1,042	(143)	326
Balance at December 31, 2021	29,551	2,761	25,646	301,293	2,010	361,261
Accumulated depreciation						
Balance at January 1, 2021	1,746	1,658	12,591	—	1,056	17,051
Depreciation	1,656	207	720	—	226	2,809
Other adjustments	229	(229)	(1)	—	—	(1)
Exchange adjustment	(6)	(90)	(122)	—	(84)	(302)
Balance at December 31, 2021	3,625	1,546	13,188	-	1,198	19,557
Carrying amounts						
At December 31, 2021	25,926	1,215	12,458	301,293	812	341,704
Of which: Net book value of right of use assets included in property, plant and equipment at December 31, 2021	13,925	—	38	—	231	14,194
Cost						
Balance at January 1, 2022	29,551	2,761	25,646	301,293	2,010	361,261
Additions	3,612	684	383	134,884	1,308	140,871
Disposals and impairment	(66)	(264)	(8)	—	(83)	(421)
Exchange adjustment	1,577	178	626	23,713	57	26,151
Balance at December 31, 2022	34,674	3,359	26,647	459,890	3,292	527,862
Accumulated depreciation						
Balance at January 1, 2022	3,625	1,546	13,188	—	1,198	19,557
Depreciation	1,615	421	649	—	402	3,087
Disposals/Write-offs	(66)	(95)	(8)	—	(59)	(228)
Exchange adjustment	234	156	373	—	20	783
Balance at December 31, 2022	5,408	2,028	14,202	—	1,561	23,199
Carrying amounts						
Balance at December 31, 2022	29,266	1,331	12,445	459,890	1,731	504,663
Of which: Net book value of right of use assets included in property, plant and equipment at December 31, 2022	15,591	—	38	—	174	15,803

(a) "Other" assets include computer hardware items and vehicles.

Property, plant, and equipment under construction

Construction work in progress is related to the Rialto Bioenergy Facility, Social Biomethane, Rhode Island Bioenergy Facility, Charlotte Bioenergy Facility and Tønder and includes advances paid to vendors and subcontractors. In 2021 the Company also completed asset acquisitions for an anaerobic digestion facility in Johnston, Rhode Island (the “Rhode Island” facility) and an anaerobic digestion facility in Tønder, Denmark for a total of \$11,403. Included in construction work in progress are capitalized borrowing costs in the amount of \$14,334 (2021 – \$11,459).

Leases

Extension and termination options are included in a number of property and ground leases across the Group. Local teams are responsible for managing their leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide local management with greater flexibility to align its need for access to equipment with the fulfillment of customer contracts. The individual terms and conditions used vary across the group. The majority of extension and termination options held are exercisable only by Lessee and not by the respective lessors. The Group has few leases, if any that require variable payments. Most of the Group's leases are for property for the Group's capital sales and services operations or ground leases associated with BOO plant operations. During 2022 and 2021, the Group did not exercise any extension or termination options.

Impairment

Based on potential impairment triggers including delays in commercial operations and a decrease in operating cash flow, the Group tested the recoverable amount of two BOO's in North America based on their value in use at December 31, 2022. That calculation uses run-out cash flow projections over the remaining life of the project of 16 and 25 years, and a discount rate of 11.95 per cent which is derived based on the Company's assessment of weighted average cost of capital. These cash flow projections were derived from management approved financial budgets and forecasts. The Company believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause their carrying amount to exceed its recoverable amount.

10. Intangible assets

The following table presents the summary of intangible assets and related accumulated amortization for the years ended December 31, 2022 and 2021:

	Patents	Computer software and licenses	Other ^(a)	Goodwill	Total
Cost					
Balance at January 1, 2021	4,907	3,286	1,532	2,086	11,811
Additions	389	10	—	—	399
Assets acquired	—	—	—	756	756
Disposals and impairments	—	(923)	(154)	—	(1,077)
Exchange adjustment	(116)	(137)	(31)	(398)	(682)
As of December 31, 2021	<u>5,180</u>	<u>2,236</u>	<u>1,347</u>	<u>2,444</u>	<u>11,207</u>
Accumulated Amortization					
Balance at January 1, 2021	2,329	2,159	1,368	—	5,856
Additions	286	87	154	—	527
Disposals and impairments	—	(113)	(156)	—	(269)
Exchange adjustment	(23)	(22)	(19)	—	(64)
As of December 31, 2021	<u>2,592</u>	<u>2,111</u>	<u>1,347</u>	<u>—</u>	<u>6,050</u>
Carrying amount					
At December 31, 2021	<u>2,588</u>	<u>125</u>	<u>—</u>	<u>2,444</u>	<u>5,157</u>

	Patents \$	Computer Software and Licenses \$	Other Intangible Assets ^(a) \$	Goodwill \$	Total \$
Cost					
As of January 1, 2022	5,180	2,236	1,347	2,444	11,207
Additions	293	163	—	—	456
Assets acquired	—	152	12,214	1,166	13,532
Exchange adjustment	4	218	421	77	720
As of December 31, 2022	<u>5,477</u>	<u>2,769</u>	<u>13,982</u>	<u>3,687</u>	<u>25,915</u>
Accumulated Amortization					
As of January 1, 2022	2,592	2,111	1,347	—	6,050
Additions	216	207	—	—	423
Exchange adjustment	4	6	4	—	14
As of December 31, 2022	<u>2,812</u>	<u>2,324</u>	<u>1,351</u>	<u>—</u>	<u>6,487</u>
Carrying amount					
At December 31, 2022	<u>2,665</u>	<u>445</u>	<u>12,631</u>	<u>3,687</u>	<u>19,428</u>

a) "Other" intangible assets include customer lists and customer relationships.

Impairment

Goodwill has been allocated for impairment testing to two cash-generating units in Europe, the Group's European capital sales segment and the Group's BOO Bioener. The Group completed its annual assessment of impairment and concluded that the goodwill related to these CGUs was not impaired as at December 31, 2022 and 2021. During the year ended December 31, 2022, the Group recorded an impairment charge of \$nil (2021 – \$nil).

11. Trade receivables

	2022 \$	2021 \$
Trade receivables	44,132	37,660
Loss allowance	(4,722)	(2,872)
Net trade receivables	<u>39,410</u>	<u>34,788</u>

Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date. As of December 31, 2022, and 2021, the aging analysis of trade receivables is as follows:

	2022 \$	2021 \$
Current	22,328	18,576
31 – 60 days	2,103	3,440
61 – 90 days	574	4,580
91 – 120 days	1,417	3,097
120+ days	11,164	4,448
	<u>37,586</u>	<u>34,141</u>
Retainage	6,546	3,519
Total trade receivables	<u>44,132</u>	<u>37,660</u>

Accounts receivable retainage represents amounts due from customers, but where payments are withheld contractually until certain construction milestones are met. Amounts retained typically range from 2-10% of the total invoice. The Group classifies as a current asset those retainages that are expected to be collected in the next twelve months.

A reconciliation of the Company's expected credit losses is as follows:

	2022 \$	2021 \$
Beginning Balance January 1,	(2,872)	(3,870)
Provisions used	27	1,026
Provision added	(1,953)	-
Exchange adjustments	76	(28)
Ending balance December 31,	<u>(4,722)</u>	<u>(2,872)</u>

12. Inventories

	2022 \$	2021 \$
Raw materials	4,782	4,273
Work in progress	368	—
Finished goods	4,918	1,236
Total inventories	<u>10,068</u>	<u>5,509</u>

Included in the finished goods is gas stored with third-parties of \$1,501 (2021 - \$93) for Rialto Bioenergy Facility, LLC and SoCal Biomethane, LLC.

13. Loans and investments

The following table presents the summary of other long-term assets for the years ended December 31, 2022 and 2021:

	Interest	Year of maturity	Note	2022	2021
				\$	\$
Shareholder loans receivable from WTEH - Non-AIP	5.5%	On-demand	(a)	52,036	62,629
Shareholder loans receivable from WTEH - AIP	8.0%	2036	(b)	73,469	—
Other loans and investments	5.5% - 7.0%	Various		8,292	7,286
Total other long-term assets				133,797	69,915

(a) Shareholder loans receivable from WTEH - Non-AIP Loans

As at December 31, 2022, the balance of the notes receivable from WTEH was \$52,036. The notes are currently unsecured and due on demand. The Group is currently accruing interest using a 5.5% interest rate. The Group does not expect the receivables to be repaid within the next twelve months following the balance sheet date and accordingly have presented the amounts receivable as non-current. The Group has recorded an estimated credit loss on these loans of \$2,129.

(b) Shareholder loans receivable from WTEH - AIP Loans

As at December 31, 2022, the balance of the notes receivable from WTEH was \$73,469. In conjunction with the Arjun Infrastructure Partners (“AIP”) master note purchase agreement discussed in Note 16, the Group has loaned \$73,469 to WTEH which is backed by individual loans to WTEH and its subsidiaries that accrue interest at 8% and mature in 2036 at the same time as the loan with AIP does. The Group has recorded an estimated credit loss on these loans of \$3,300.

14. Income taxes

The major components of income tax expense for the years ended December 31 are as follows:

	2022	2021
	\$	\$
Income tax expense		
Current income taxes	3,041	7,097
Deferred income taxes	11,482	(5,581)
Income tax expense	14,523	1,516

A reconciliation between the income tax provision and the product of accounting profit multiplied by the Group’s domestic tax rates for the years ended December 31 is as follows:

	2022	2021
	\$	\$
Pre-tax income (loss) for the year	(60,189)	(12,591)
Statutory tax rates (15% Federal + 11.50% Ontario)	26.50%	26.50%
Statutory tax expense (recovery)	(15,950)	(3,337)
Partnership income allocation difference	6,792	—
True-up of prior year amounts	1,567	2,733
Stock warrant valuation gain	—	242
Change in deferred tax rates	—	61
Foreign tax rate differences	(297)	1,447
Net change in unrecognized temporary differences	10,188	6,188
De-recognition of temporary difference related to R&D	5,958	—
Non-deductible items	925	(2,355)
Share costs included in equity	(1,138)	(3,606)
Non-controlling interest	4,353	—
Other	2,125	143
Income tax expense for the year	14,523	1,516

The Company has derecognized certain deductible temporary differences relating to US R&D credits, as the Company no longer believes that it is more likely than not that the credits will be available to the company. The Company continues to evaluate the potential for R&D claims in periods that are not limited by statute, and where it believes it is more likely than not that credits will be claimed and received or credited by the tax authorities, will record the current or future benefit of such credits.

Deferred Income Taxes

Deferred income taxes relate to the Group for the following:

	2022	2021
	\$	\$
Deferred tax assets (liabilities) in relation to:		
Non-capital loss carryforward	16,993	6,917
Deferred revenue	3,706	2,202
Research and development credits	—	5,261
Property, plant and equipment and other assets	(28,195)	(8,629)
Other temporary differences	955	923
Net deferred tax asset (liability)	<u>(6,541)</u>	<u>6,674</u>

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements as of December 31:

	2022	2021
	\$	\$
Temporary differences in relation to:		
Non-capital losses (never expire)	85,381	88,622
Non-capital losses (expiring between 2028-2042)	46,641	—
Property, plant and equipment and other assets	1,078	3,817
Intangible assets	1,044	—
Financing fees	11,330	15,002
Unpaid amounts	—	3,041
R&D expenditure	4,098	—
Government grants	5,618	—
Anticipated credit losses	2,342	—
Other	793	3,107
Total temporary differences	<u>158,325</u>	<u>113,589</u>

Temporary differences related to non-capital losses are available for offset against future taxable income of the companies in which the losses arose and expire between 2028 – 2042, or in certain jurisdictions do not expire. The portion of the non-capital losses that has been recognized as deferred tax asset is dependent on future taxable income.

15. Revolving line of credit

On December 30, 2021, the Group renewed its amended and restated revolving line of credit facility of US\$4,000. When drawn, advances under the facility carry interest at rate per annum of 1.10% above the Daily Simple SOFR rate with interest payments due the first of every month. The Group may from time to time during the term of this facility borrow, partially or wholly repay its outstanding borrowings, and re-borrow subject to the terms and conditions of the agreement with a maturity date of June 1, 2023. The balance of the credit line on December 31, 2022 is \$5,451 (US\$4,000, December 31, 2021 – \$5,113). The line of credit is collateralized by the Groups cash balances held by the lender.

16. Long-term debt

Terms and repayment schedule

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

	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Note</u>	<u>2022 Carrying amount</u>	<u>2021 Carrying amount</u>
Rialto bonds	6.75% - 7.50%	2028 and 2040	(a)	150,855	145,579
AIP - Bridge financing and Fixed Rate Notes	8%	2024 and 2036	(b)	141,271	23,450
GDIF Loans	11%	2030 - 2031	(c)	34,247	19,687
Live Oak Indenture	5.96%	2032	(d)	17,214	546
Caterpillar Financial Services Term Loans	5.70% - 6.69%	2025 - 2028	(e)	6,210	6,621
Previous owners of EBT	0%	2024 - 2026	(f)	6,345	5,840
Bioener Loans	2.57% - 9.27%	2024 - 2027	(g)	5,240	—
Other	0% - 11.4%	2023 - 2027		30	2,274
				<u>361,412</u>	<u>203,997</u>
Less: issuance costs				(5,210)	(2,619)
Total long-term debt				356,202	201,378
Of which:					
Current				11,817	5,263
Long term				344,385	196,115

a) Rialto Bonds (Secured Bonds)

On January 30, 2019, the Group issued USD \$117.2 first and second series bonds (collectively the “bonds”) through the California Pollution Control Financing Authority for the purposes of funding the Group’s Rialto Bioenergy Facility construction project. The first series has a face value of USD \$25.8 and bears interest at the rate of 6.75% with principal and interest payable semi-annually and due in full on December 1, 2028. The second series has a face value of USD \$91.4 and bears interest at the rate of 7.50% with principal and interest payable semiannually and due in full on December 1, 2040. Interest payments commenced on June 1, 2019, for both series.

Proceeds from the issuance were placed in project escrow accounts and disbursements related to construction expenditures are released by the trustee on submission of documentation by the Group. The unused balance at December 31, 2022 of US\$12,802 (2021 – US\$12,558) has been classified as restricted cash. On any date on and after December 1, 2021, to the extent there is excess cash on deposit in the project escrow accounts, the Group may, in whole or in part, redeem the bonds at a redemption price equal to 100% of the principal amount plus accrued interest.

The bonds are secured by a pledge and security agreement for all personal property and other assets of Rialto Bioenergy Facility, LLC (“Rialto”), owned or acquired in the future, including gross revenues from the Project, proceeds and investment income from the Project Fund Escrow Account, and any monies held directly by Rialto are subject to an account control agreement with the trustee. The project escrow accounts include a debt service reserve fund having a reserve requirement of USD \$11,085 for payment of principal and interest on the bonds in the event of a deficiency. In addition, the Group pledged its interests in Rialto, and caused its minority investor to do the same, allowing the trustee the ability to exercise voting and other rights, and to obtain any distributions from Rialto in the event of a default.

In addition to mandatory redemption features, the bonds are redeemable by the Group in whole or in part on any date, at a redemption price equal to the principal amount plus accrued interest to the date of redemption. The Group may also redeem the bonds in whole or in part on any date after December 1, 2024 at a redemption price expressed as a percentage of the principal amount of the bonds to be redeemed, plus accrued interest.

The redemption features are an embedded derivative which is separately recognized at a fair value. The fair market value of the redemption features as at December 31, 2022, was \$8,669 (2021 – \$24,410). The fair value is estimated by calculating the present value of the net interest savings if the Group exercised the option across a variety of likely scenarios. The changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

The bonds contain covenants that restrict, among other things, the ability of the Group to incur certain capital expenditures, distributions in certain circumstances, and sales of material assets, in each case, subject to certain conditions. The Group has obtained a waiver stating that the covenants were not applicable at December 31, 2022.

b) AIP – Bridge financing and Fixed Rate Notes

On November 12, 2021, the Company entered into a Master Note Purchase agreement with Arjun Infrastructure Partners (“AIP”) to provide financing for Anaergia’s build, own and operate projects in Italy. The AIP Loan commitment is €100 million of which €56 million is undrawn as of December 31, 2022. Each drawdown results in separate note certificate and the notes mature on December 31, 2036. The notes bear interest at 8% per annum. During the construction period, loan interest is added to the principal. After the construction period, interest is payable twice

annually in June and December and the principal is repayable at maturity. The loan is secured by a share pledge from Anaergia ITA B.V. The lender has the ability, if certain conditions are not met, to cancel the debt or the ability to no longer fund future commitments.

On September 23, 2022, the Group amended the master note purchase agreement with AIP. The amended agreement provided the Company with additional bridge financing of €51.0 million which is fully drawn as of December 31, 2022. The bridge financing also bears interest at 8% and is due February of 2024.

c) GDIF Loans

The Company's subsidiary, Rialto Bioenergy Facility, LLC ("RBF"), entered into a series of loan agreement with GDIF (North America) NRP Hold Co. ("GDIF") for a total of USD \$25.3 that bear interest at a fixed annual rate of 11.0%. Principal and interest are due and payable in full between December 30, 2030 and 2032. Proceeds from the loans can only be used for operational costs and expenses of the Rialto project.

These loans are secured by promissory notes and the same operating agreement that is in place for the Rialto bonds and is subordinate to the Rialto bonds.

d) Live Oak Secured Indenture

The Company's subsidiary, SoCal Biomethane, LLC entered into a credit agreement with Live Oak Banking Corporation. The credit agreement allows SoCal Biomethane, LLC to borrow up to USD \$13.0 million at a fixed interest rate of 5.96% per annum maturing June 1, 2032. The credit agreement calls for the Company to pay a declining prepayment premium that starts at 4% and declines 1% each year over the first four years of the agreement. During the year ended December 31, 2022, SoCal Biomethane, LLC has borrowed USD 12,706 and has fully utilized the loan. The indenture is secured by the assets of SoCal Bioemethane, LLC.

e) Caterpillar Financial Services Corporation

The Company's subsidiary, Biogas Power Mojave Systems, LLC entered a 10-year Term Loan Financing Agreement for a maximum loan amount of USD \$4,504 at a fixed annual rate of 6.69%, repayable monthly. The Company's subsidiary, Escondido Bioenergy Facility, LLC, entered a 10-year Term Loan Financing Agreement for USD \$4,000 at a fixed annual rate of 5.70%, repayable monthly.

The loans are secured by promissory notes and a first priority security interest as collateral in all rights, title, and interest of Biogas Power Mojave Systems, LLC and Escondido Bioenergy Facility, LLC in the projects including equipment, related software and other tangible and intangible properties.

f) Previous owners of EBT

As discussed in Note 9, the Company completed an asset acquisition for an anaerobic digestion facility in Tonder, Denmark. The remaining consideration for the acquisition was \$7,181 (€ 5,000) which will be paid in installments, as follows:

- \$4,309 (€ 3,000) will be paid no later than five business days after the commissioning date of the Plant or April 1, 2024
- \$1,436 (€ 1,000) shall be paid no later than five business days after the earlier of twelve month anniversary from the commissioning date, or April 1, 2025, or the time at which the forecasted internal rate of return is at least 11%
- \$1,436 (€ 1,000) shall be paid no later than five business days after the earlier of 24 month anniversary from the commissioning date, or April 1, 2026, or the time at which the forecasted internal rate of return is at least 11%

Given the future payment of this debt, the Company has discounted the future cash payments using an 8% implied borrowing rate. These liabilities are unsecured.

g) Bioener S.p.A. Loans

On May 30, 2022, the Group completed our acquisition of Bioener (see note 6), which had Euro-denominated loans outstanding bearing interest at rates between 2.57% and 9.27% maturing between 2024 – 2027. The loans are unsecured and contain customary affirmative and negative covenants.

Repayment of Principal and Interest

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

Year	Principal	Interest	Total Repayment
2023	11,817	24,126	35,943
2024	87,929	18,503	106,432
2026	8,407	16,997	25,404
2025	8,096	16,316	24,412
2027	7,161	15,807	22,968
2028 to 2040	238,002	160,428	398,430
	<u>361,412</u>	<u>252,177</u>	<u>613,589</u>

17. Accrued liabilities, provisions and asset retirement obligations

Accrued liabilities and provisions included the following as at December 31:

	2022 \$	2021 \$
Warranties	2,077	3,317
Loss contracts	2,852	6,646
Accrued payroll and benefits	6,448	3,637
Accrued project related costs	32,045	24,932
Other accruals	16,165	12,745
Total accrued liabilities and provisions	59,587	51,277

	Warranties	Asset retirement obligation	Loss Contracts	Total
Balance at January 1, 2021	2,792	220	4,873	7,885
Provisions used during the year	(96)	-	-	(96)
Provisions made during the year	1,389	2,176	1,804	5,369
Exchange adjustment	(768)	(1)	-	(769)
Accretion	-	15	(31)	(16)
Balance at December 31, 2021	3,317	2,410	6,646	12,373
Balance at January 1, 2022	3,317	2,410	6,646	12,373
Provisions used during the year	(1,234)	-	(2,462)	(3,696)
Adjusted during the year or accretion	(323)	32	(3,139)	(3,430)
Provisions made during the year	384	3,100	1,747	5,231
Exchange adjustment	(67)	277	60	270
Balance at December 31, 2022	2,077	5,819	2,852	10,748

Warranties

A provision is recognized for expected maintenance warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next fiscal year. Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about returns based on the two-year warranty period for all products sold. The balance is included within accrued liabilities and provisions.

Asset retirement obligation

The Group has an asset retirement obligation in connection with its ground leases, which require the Group to remove facilities upon termination of the ground lease. The liability was initially measured at fair value and subsequently adjusted for accretion expense and changes in the amount and timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

Loss contracts

When the estimate on a contract with a customer indicates a loss or claims against costs incurred reduce the likelihood of recoverability of such costs, the Group records the entire estimated loss in the period the loss becomes known. The balance is included within accrued liabilities and provisions.

18. Non-controlling interests

Non-controlling interests consisted of the following amounts by entity at December 31:

Non-controlling interest	At December 31,	
	2022	2021
Rialto Bioenergy Facility LLC	81,588	97,945
Bioener SpA	4,489	—
Anaergia Bioenergy Facility, LLC	48,603	—
SoCal Biomethane LLC	—	23,461
Other entities	(1,377)	(1,536)
	133,303	119,870

Rialto Bioenergy Facility, LLC

During 2020, the Group sold 49% of membership voting interests in its subsidiary, Rialto. Subsequent to the sale, the Group has continued to control and operate the assets. Non-controlling interest on the consolidated statements of financial position is calculated based upon the waterfall mechanism agreed by the Group and non-controlling interest.

The Group is a party to a profit sharing arrangement in which following the acquisition of the interest in Rialto, the first USD \$80 million of profit in Rialto are distributable other than to the Group. The effects of this profit sharing arrangement are reflected as adjustments between non-controlling interest and deficit in the consolidated statements of changes in equity. During the year, the Group recognized an increase in its deficit in the amount of \$11,465 (2021 - \$20,042) with a corresponding increase in the non-controlling interest in connection with the profit sharing arrangement.

For income and loss, the Group has elected to reflect 49% as the non-controlling interest considering the economic interests over the life of the project are split 51% and 49% to the Group and to the holder of such non-controlling interest respectively. During the year ended December 31, 2022, the Group recognized a reduction in its deficit in the amount of \$11,465 (2021 - an increase of \$20,042) with a corresponding reduction in the non-controlling interest in connection with the profit-sharing arrangement. Included in the non-controlling interest for the year ended December 31, 2021 was \$17,773 that was for capital that the Company injected into Rialto.

The following table summarizes the financial information relating to Rialto for the year ended December 31, 2022 and 2021.

Rialto Bioenergy Facility LLC	At December 31,	
	2022	2021
NCI percentage	49%	49%
Current assets	16,491	43,725
Non-current assets	343,854	287,732
Current liabilities	22,779	13,474
Non-current liabilities	270,232	218,554
Net assets	67,334	99,429
Net assets attributable to NCI	67,334	99,429
	2022	2021
Revenue	3,971	—
Profit (loss)	(19,033)	5,367
Total comprehensive income (loss)	(19,033)	5,367
Profit (loss) allocated to NCI	(9,326)	2,630
Cash flows used in operating activities	20,974	(3,775)
Cash flows used in investment activities	(48,706)	(41,309)
Cash flows from financing activities	16,817	52,261
Net increase in cash and cash equivalents	(10,915)	7,177

Anaergia Bioenergy Facility, LLC

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

The Group is a party to a profit sharing arrangement in ABF, the distributable cash flow is first distributed to the preferred members based on the contributed capital that they have contributed to ABF or previously to SoCal Biomethane. The effects of this profit sharing arrangement are reflected as adjustments between non-controlling interest and deficit in the consolidated statements of changes in equity. During the year, the Group recognized an increase in its deficit in the amount of \$24,974 (2021 previously for SoCal Biomethane - \$14,615) with a corresponding increase in the non-controlling interest in connection with the profit sharing arrangement.

The following table summarizes the financial information relating to Anaergia Bioenergy Facility for the year ended December 31, 2022.

Anaergia Bioenergy Facility, LLC	At December 31,	
	2022	2021
Current assets	13,581	—
Non-current assets	96,912	—
Current liabilities	8,572	—
Non-current liabilities	26,141	—
Net assets	75,780	—
Net assets attributable to NCI	47,787	—
	2021	2021
Revenue	—	—
Income (loss)	(436)	—
Total comprehensive income (loss)	(436)	—
Income (loss) allocated to NCI	—	—
Cash flows from operating activities	6,689	—
Cash flows used in investment activities	(91,861)	—
Cash flows from financing activities	96,163	—
Net increase in cash and cash equivalents	10,991	—

The following table summarizes the financial information relating to SoCal BioMethane for the year ended December 31, 2021.

SoCal Biomethane LLC	At December 31, 2021
Current assets	2,302
Non-current assets	36,853
Current liabilities	7,580
Non-current liabilities	4,747
Net assets	26,828
Net assets attributable to NCI	26,828
	2021
Revenue	—
Income (loss)	(400)
Total comprehensive income (loss)	(400)
Income (loss) allocated to NCI	—
Cash flows from operating activities	2,799
Cash flows used in investment activities	(19,436)
Cash flows from financing activities	17,000
Net increase in cash and cash equivalents	363

19. Issued share capital

	Authorized	Outstanding December 31, 2022 #	Share capital
Multiple Voting Shares	Unlimited	32,222,369	78,810
Subordinate Voting Shares	Unlimited	32,212,153	318,436
Total		64,434,522	\$ 397,246

	Authorized	Outstanding December 31, 2021 #	Share capital
Multiple Voting Shares	Unlimited	32,222,369	78,810
Subordinate Voting Shares	Unlimited	26,528,500	261,757
Total		58,750,869	\$ 340,567

	Multiple voting shares		Subordinate voting shares		Class A common shares		Special voting shares		Class C preferred shares	
	# (000's)	\$ (000's)	# (000's)	\$ (000's)	# (000's)	\$ (000's)	# Exact	\$ Exact	# (000's)	\$ (000's)
Balance as at January 1, 2021	—	—	—	—	14,884	28,217	213	213	27,063	101,960
Exercise of warrants	—	—	—	—	2,118	25,164	—	—	—	—
Issuance of shares	—	—	—	—	6	—	—	—	5	—
Conversion of special voting shares	—	—	—	—	(6)	—	(213)	(213)	—	—
Issuance of shares	—	—	12,500	175,000	—	—	—	—	—	—
Share issuance costs	—	—	—	(14,176)	—	—	—	—	—	—
Exchange of shares	32,222	78,810	11,848	76,531	(17,002)	(53,381)	—	—	(27,068)	(101,960)
Exercise of over allotment options	—	—	1,741	24,367	—	—	—	—	—	—
Exercise of employee stock options	—	—	440	35	—	—	—	—	—	—
Balance as at January 1, 2022	32,222	78,810	26,529	261,757	—	—	—	—	—	—
Issuance of shares	—	—	4,800	60,000	—	—	—	—	—	—
Share issuance costs	—	—	—	(3,325)	—	—	—	—	—	—
Exercise of employee stock options	—	—	883	4	—	—	—	—	—	—
Balance as at December 31, 2022	32,222	78,810	32,212	318,436	—	—	—	—	—	—

Subordinate and Multiple Voting Shares

The Subordinate Voting Shares and the 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. The 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 of the Company. 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.

Initial Public Offering

On June 18, 2021, the Company completed its initial public offering ("IPO"), raising aggregate gross proceeds of \$175,000. The IPO consisted of the issuance of 12,500,000 subordinate voting shares of the Company ("Subordinate Voting Shares") at \$14.00 per share ("Offering Price"). The Company's Subordinate Voting Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol ANRG. Concurrent with the IPO, the Company's warrant holders exercised all warrants outstanding which resulted in proceeds of \$10,019 from exercise and the extinguishment of the liability-classified warrants of \$15,144 for a total credit to issued share capital of \$25,163. The Company issued an overallotment option which was exercised and allowed the underwriters to acquire an additional 1,740,500 Subordinate Voting shares for proceeds of \$24,367.

During the first quarter of 2022, the Company agreed to a commission of \$4,125 relating to sales proceeds from our sale of non-controlling interest in Rialto which occurred in 2020. This payment was recognized in accumulated deficit, corresponding to the recognition of the initial gain on the sale of the non-controlling interest of Rialto, which had been recognized within equity due to the fact that the Company did not lose control of Rialto. On April 3, 2022, the Company paid the commission.

On April 19, 2022, the Company completed the closing of its bought deal offering of 4,800,000 shares of subordinate voting shares priced at \$12.50 per share for gross proceeds of approximately \$60,000. Of these amounts, in connection with the offering, Dr. Andrew Benedek, our founder, Chair and Chief Executive Officer, has exercised his pre-emptive right in connection with this offering and purchased 400,000 of the offered Shares at the offering price of \$12.50 per share. As part of the bought deal, Dr. Benedek and the Company agreed to settle a related party loan of \$4,075 as part of his \$5,000 purchase of shares in the offering.

During the year ended December 31, 2022, the Company had stock options exercised of 883,158 (2021 - 440,000) which resulted in a \$4 (2021 - \$35) increase to issued share capital for cash received for the exercise of these options.

20. Share-based payment plans

2021 Omnibus Equity Incentive Plan

On June 16, 2021, the Group adopted the Omnibus Equity Incentive Plan (the "2021 Plan") that allows the Company to grant equity awards including restricted stock units, performance share units, dividend share units and stock options to employees, directors, and consultants of the Company, that if converted would be exercised into subordinate voting shares of the Company. The amount available under the 2021 Plan is limited to 10% of the issued and outstanding shares of the combined subordinate voting shares and multiple voting shares less any amount for outstanding Legacy Options or outstanding under the 2021 plan. The equity awards under the 2021 Plan are subject to three year service based vesting. During the year ended December 31, 2022, the Company had granted 260,708 (2021 - 81,993) restricted stock units to an employee and directors of the Company. As at December 31, 2022, the Company had 5,669,796 shares available for awards under the plan. The Company recorded \$945 (2021 - \$71) in share-based compensation expense relating to the 2021 Plan.

Share Issuance Plans (equity-settled)

During the years ended December 31, 2022 and 2021, the Company had two share-based payment arrangements, which are described below.

Type of arrangement	Awards granted at December 31,	Type of Awards	Contractual life	Vesting conditions
	2022			
Employee Stock Option Plan ("ESOP")	2,543,237	Stock options	Earlier of 15 years or December 31, 2025	Four years' service
2021 Omnibus Equity Incentive Plan ("2021 Plan")	342,701	Restricted stock units	10 years	Three years' service

Further details and activity of the two share option plans for the years ended December 31, 2022 and 2021:

	ESOP			2021 Plan		Total
	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value	Number of Awards	Weighted Average Fair Value	Number of Awards
Outstanding at January 1, 2022	3,426,395	\$ 0.01	\$ 2.72	81,993	\$ 20.25	3,508,388
Granted	—	—	—	260,708	6.96	260,708
Exercised	(883,158)	\$ 0.01	\$ 2.72	—	—	(883,158)
Outstanding at December 31, 2022	2,543,237	\$ 0.01	\$ 2.72	342,701	\$ 10.14	2,885,938
Exercisable at December 31, 2022	2,493,237	\$ 0.01	\$ 2.72	—	\$ —	2,493,237

	ESOP			2021 Plan		Total
	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value	Number of Awards	Weighted Average Fair Value	Number of Awards
Outstanding at January 1, 2021	3,855,184	\$ 0.01	\$ 2.72	—	\$ —	3,855,184
Granted	11,211	\$ 0.01	\$ 2.72	81,993	20.25	93,204
Exercised	(440,000)	\$ 0.01	\$ 2.72	—	—	(440,000)
Outstanding at December 31, 2021	3,426,395	\$ 0.01	\$ 2.72	81,993	\$ 20.25	3,508,388
Exercisable at December 31, 2021	3,208,895	\$ 0.01	\$ 2.72	—	\$ —	3,208,895

For the years ended December 31, 2022 and 2021, the weighted average share price at the date of exercise for share options exercised during the period was \$12.16 and \$19.26, respectively. The options outstanding at December 31, 2022 and 2021 had an exercise price of \$0.01, and a weighted average remaining contractual life of 3 years and 4 years, respectively.

The fair values of the options granted were determined using the Black-Scholes valuation model under the following weighted average assumptions:

	2021	
Option value	\$	2.72
Expected life		2.5
Expected dividends		—
Expected volatility		80%
Risk-free interest rate		0.20%
Estimated share value at grant date	\$	2.73

* Expected volatility is estimated by considering historical average share price volatility.

The fair value of the Restricted stock units ("RSU"s) is based on the grant date fair value of the Group's common stock when granted. For the year ended December 31, 2022, the weighted average grant date fair value of the RSUs was \$6.96 (2021 - \$20.12).

Expense recognized in profit and loss

Share-based payment expenses by plan for the year ended December 31, 2022 and 2021 were as follows:

	ESOP \$	2021 Plan \$	Total \$
Expense arising from RSUs	\$ —	\$ 945	\$ 945
Expense arising from Stock Options	\$ 390	\$ —	\$ 390
Total expense for year 2022	\$ 390	\$ 945	\$ 1,335

	ESOP \$	2021 Plan \$	Total \$
Expense arising from RSUs	\$ —	\$ 71	\$ 71
Expense arising from Stock Options	\$ 468	\$ —	\$ 468
Total expense for year 2021	\$ 468	\$ 71	\$ 539

21. Capital management

The Group's objective is to maintain a strong capital base to maintain investor, creditor, and market confidence, and to sustain future business development.

The Group's capital structure consists of long-term debt, and equity, comprising of share capital, contributed surplus, and accumulated deficit in the definition of capital. The Group is subject to externally imposed capital requirements through loans of certain subsidiary entities, and there has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2022 and 2021. The Group expects that funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2022.

The following table shows the Group's capital quantitatively at the following reporting dates:

	2022	2021
Long-term debt	356,202	201,378
Share capital	397,246	340,567
Contributed surplus	6,700	5,365
Deficit	(257,801)	(175,885)
Total capital	502,347	371,425

22. Commitments and contingencies

	2022	2021
Capital commitments	63,526	5,867
Contingent liabilities	46,025	19,372
Total	109,551	25,239

Capital commitments

The above capital commitments include significant capital expenditures contracted for at December 31, 2022 but not recognised as liabilities. The capital commitments mainly relate to the Group's capital expenditures for build-own-operate entities in North America.

Contingent liabilities

Contingent liabilities mainly consist of bonds and guarantees issued by financial institutions to Anaergia, Inc. and Anaergia S.r.L. for the Group's capital sales and build-own-operate segments.

Legal claims

The Group has submitted a statement of claim for damages in respect of a dispute regarding the non-performance of a counterparty under the terms of an EPC contract. The counterparty has submitted defenses and counterclaims, which the Group believes to be without merit. No asset or liability has been recognized in regard to this matter as the expected timing and amounts of any inflow or outflow cannot be reasonably determined, due to the uncertainties inherent in the outcome of the litigation at this point in time.

On March 27, 2023 a statement of claim was issued (under the Class Proceedings Act, 1992) in the Ontario Superior Court of Justice against the Company and others, involving an order for leave to proceed under the Securities Act (Ontario), certifying the proceeding as a class proceeding and appointing a representative plaintiff who claims damages and other relief pertaining to primary and secondary market financial disclosures relating to proposed class period from June 7, 2021 to November 8, 2022. The Company intends to vigorously defend against the claim. No asset or liability has been recognized in regard to this matter as the expected timing and amounts of any inflow or outflow cannot be reasonably determined, due to the uncertainties inherent in the outcome of the litigation at this point in time.

The Group is engaged in litigation in various other legal matters. The legal proceedings are in different stages of progress, and the eventual outcome of such litigation, at this point in time, is uncertain. The aggregate amount involved in these disputes is not material and full provision for expected expenses has been made wherever considered necessary.

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

23. Revenue from contracts with customers

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2022 \$	2021 \$
Cost and estimated earnings in excess of billings (contract assets)		
Current	52,190	44,200
Long-term	33,707	—
Billings in excess of cost and estimated earnings (contract liabilities)		
Current	(11,776)	(6,900)
Long-term	(3,427)	(2,668)
	70,694	34,632

Contract assets represent the Group's rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. The Group's rights to consideration are generally unconditional at the time its performance obligations are satisfied.

The following table provides information about contract balances from contracts with customers:

	2022	2021
	\$	\$
As of January 1	34,632	(7,075)
Billings in current year	(137,535)	(77,341)
Contract assets acquired (note 6)	16,639	—
Recognized in the consolidated statements of operations and comprehensive loss (EPC contract revenue)	123,074	112,615
Recognized in the consolidated statements of operations and comprehensive loss (service revenue)	15,600	—
Recognized in the consolidated statements of operations and comprehensive loss (included in BOO revenue)	14,407	—
Exchange and other adjustments	3,877	6,433
Balance as of December 31	70,694	34,632

The Group had non-current contract assets of \$33,707 which relate to construction services revenue as part of the Udine Agreement.

The Group's remaining performance obligations represent the unrecognized revenue value of the Group's contract commitments. As of December 31, 2022, the unsatisfied performance obligations for EPC contracts were \$132 million. These may significantly vary each reporting period based on the timing of major new contract commitments and may fluctuate with currency movements. In addition, our customers have the right, under some circumstances, to terminate contracts or defer the timing of the Group's services and their payments to us.

Certain power purchase agreements contain a lease component and revenue has been recognized in accordance with IFRS 16 *Leases*. For the year ended December 31, 2022, the Group recognized \$2,248 (2021 – \$2,248) of operating lease revenue under these agreements.

24. Segment reporting

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

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

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

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

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

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2022:

2022	Capital Sales \$	Services \$	Build, Own, and Operate \$	Total \$
Revenue	123,074	15,600	24,179	162,853
Gross profit	24,064	(1,294)	5,827	28,597

The following is an analysis of the Group's revenue and results by reportable segment in 2021:

2021	Capital Sales \$	Services \$	Build, Own, and Operate \$	Total \$
Revenue	112,615	12,185	5,073	129,873
Gross profit	18,315	3,416	3,123	24,854

The following is an analysis of the Group's total assets by reportable segment (comparative segment information has been amended to reflect the change in composition of certain of the components of the Company's segments):

	Capital Sales \$	Services \$	Build, Own, and Operate \$	Other \$	Total \$
2022	120,250	29,135	747,613	38,107	935,105
2021	207,285	15,388	404,437	66,276	693,386

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets, and other financial assets) by geographical location are detailed below:

Geographic Region	Revenue		Non-current Assets	
	2022	2021	2022	2021
Italy	102,590	57,135	179,616	70,976
North America	37,316	29,716	464,705	356,772
Other EMEA	17,862	35,001	68,292	17,408
APAC	5,085	8,021	753	768
Total	162,853	129,873	713,366	445,924

25. Government grants

Government grants have been received for the purchase of certain items of property, plant, and equipment and for encumbrance of certain eligible expenditures qualifying for grant or incentive under various government programs.

	2022	2021
	\$	\$
As of January 1	42,784	35,300
Accrued or received during the year	4,183	10,242
Released to the consolidated statements of operations and comprehensive loss	(144)	(2,833)
Exchange adjustment	2,481	75
Balance as of December 31	49,304	42,784
Less: current portion of deferred government grants	(3,090)	(1,223)
Long-term portion of deferred government grants	<u>46,214</u>	<u>41,561</u>

26. Personnel expenses

Personnel expenses consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Salaries and wages	44,576	33,373
Benefits	5,224	3,156
Total	49,800	36,529

27. Other losses

Other losses include the following accounts and balances:

	Notes	2022	2021
Expected credit loss - loans to WTEH	13	(4,304)	(1,349)
Gain on control of Bioener	6	3,272	—
Disposition of ERP costs		—	(1,500)
Stock warrant valuation gain (loss)		—	(914)
Gain on warrant forfeitures		—	615
Gain on extinguishment of liability		—	1,115
Remeasurement of debt		(3,164)	—
Other income (loss)		(35)	(387)
Total other losses		<u>(4,231)</u>	<u>(2,420)</u>

28. Earnings per share

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

In thousands of Canadian dollars except share amounts	2022	2021
Net loss attributable to shareholders	(64,282)	(17,391)
Effect of profit sharing arrangement adjustment	12,417	(2,693)
Income (loss) available for ordinary shareholders - basic and dilutive	(51,865)	(20,084)
Weighted average Multiple and Subordinate Voting Shares outstanding	62,783,467	37,648,305
Total ordinary shares	62,783,467	37,648,305
	2022	2021
Basic and diluted loss per share	\$ (0.83)	\$ (0.53)

Instruments excluded because they are considered anti-dilutive:

	2022	2021
Restricted stock units	342,701	81,993
Subordinate Voting shares Stock Options outstanding	2,543,237	3,208,895
	2,885,938	3,290,888

29. Related parties and subsidiaries

Subsidiaries

The subsidiaries of which the Company holds a controlling interest are listed as follows:

Name	Country of incorporation, registration or operations	Ownership Percentage*	
		2022	2021
Anaergia Services LLC	United States	100%	100%
UTS BioEnergy, LLC	United States	100%	100%
Anaergia Technologies, LLC	United States	100%	100%
Anaergia Srl	Italy	100%	100%
Anaergia Infrastrutture Srl	Italy	100%	—%
Anaergia Orex Manufacturing Srl	Italy	100%	100%
Bioener SpA	Italy	70%	—%
Bionet Srl	Italy	80%	—%
Anaergia Ltd	United Kingdom	100%	100%
Anaergia DB Inc.	Canada	100%	100%
Anaergia Europe GmbH	Germany	100%	100%
Anaergia Technologies (formerly UTS Products) GmbH	Germany	100%	100%
UTS Biogastechnik GmbH	Germany	92%	92%
Db Technologies BV	Netherlands	100%	100%
Anaergia ITA BV	Netherlands	100%	100%
Anaergia BV	Netherlands	100%	100%
Anaergia Singapore Pte. Ltd.	Singapore	100%	100%
Anaergia Africa (Pty) Ltd.	South Africa	100%	100%
Anaergia South Africa Services (Pty) Ltd	South Africa	100%	100%
Escondido Bioenergy Facility LLC	United States	100%	100%
Biogas Power Systems Mojave LLC	United States	100%	100%
Rialto Bioenergy Facility, LLC	United States	51%	51%
Camden Bioenergy LLC	United States	100%	100%
SoCal Biomethane Holdco LLC	United States	100%	100%
SoCal Biomethane LLC	United States	100%	100%
Charlotte Bioenergy Facility HoldCo, LLC	United States	100%	100%
Charlotte Bioenergy Facility, LLC	United States	100%	100%
Rhode Island Bioenergy Facility HoldCo LLC	United States	100%	100%
Rhode Island Bioenergy Facility LLC	United States	100%	100%
Anaergia Bioenergy Facilities, LLC	United States	100%	—%
Anaergia Future Fuel, LLC	United States	100%	—%
Anaergia Nutrients Holdco, LLC	United States	100%	—%
Anaergia Nutrients, LLC	United States	100%	—%
Victor Valley Bioenergy Facility Holdco, LLC	United States	100%	—%
Victor Valley Bioenergy Facility, LLC	United States	100%	—%
SoCal Organics Recycling Facility Holdco, LLC	United States	100%	—%
SoCal Organics Recycling Facility, LLC	United States	100%	—%
Kent County Bioenergy Facility Holdco, LLC	United States	100%	—%
Kent County Bioenergy Facility, LLC	United States	100%	—%
Anaergia A/S	Denmark	100%	100%
EBT Holdco ApS	Denmark	100%	100%
Envo Biogas Tonder A/S	Denmark	100%	100%
Anaergia Systems A/S	Denmark	100%	100%

* Ownership percentage represents the voting interests in the subsidiaries.

Related parties

The Group had the following related party transactions and balances as of and for the year ended December 31, 2022 and 2021.

	Transactions for the year ended		Outstanding Balances at			
	December 31, 2022	December 31, 2021	December 31, 2022		December 31, 2021	
			Contract assets (liabilities)	Accounts receivable	Contract assets (liabilities)	Accounts receivable
Related party:	Sale of goods and services					
Fibracast	\$ 641	\$ 1,005	\$ —	\$ 1,925	\$ —	\$ 1,281
WTE Holding Srl and subsidiaries	62,690	46,481	22,819	10,807	21,291	6,372
Bioener S.p.A.	1,186	—	—	—	—	—
MD Limassol Waste Management Co. Ltd.	3	—	—	999	—	1,040
Bioenergy Pte. Ltd	1,071	1,871	847	30	912	102
Total	65,591	49,357	23,666	13,761	22,203	8,795
Related party name:	Purchases of goods or services		Accounts Payable			
Fibracast	244	308	383		125	
Bioenergy Pte Ltd	281	402	2		60	
Total	525	710	385		185	
Related party name:	Interest charges		Loans receivable/(payable)			
WTEH and subsidiaries	4,321	—	125,505		62,629	
Fibracast	19	12	546		520	
Loan to MD Waste Management Co Ltd.	—	—	872		—	
Loan to MD Limassol Waste Management Co Ltd.	—	—	3,027		3,025	
Loan to Medcon (JV partner)	—	—	272		272	
Due to shareholder, CEO and Chairman	—	—	—		(4,075)	
Total	4,340	12	—		—	

Due to shareholder, CEO, and Chairman

This amount was settled in April 2022 after the Company completed the closing of its bought deal offering.

Key management personnel compensation

The remuneration of key management personnel is as follows:

	2022	2021
Salaries and benefits	5,160	4,098
	5,160	4,098

Key management personnel include those individuals having authority and responsibility for planning, directing and controlling the business activities of Anaergia, directly or indirectly. Key management personnel include the Executive Chairman, Chief Executive Officer, Chief Operating Officer; Chief Financial Officer; Chief Development Officer; Chief Growth Officer; Chief Engineer, General Counsel, certain Vice Presidents and certain Managing Directors.

Related party guarantees

The Company guarantees 65% of a loan that Fibracast, has received from the Ontario Government Ministry of Economic Development, Employment, and Infrastructure. The balance outstanding at December 31, 2022, was \$842 (2021 - \$1,085) and the maximum amount of the guarantee could be \$547.

30. Net change in operating assets and liabilities

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

	2022	2021
	\$	\$
Net change in operating assets and liabilities		
Decrease/(increase) in accounts receivable	(4,622)	(12,557)
Decrease/(increase) in contract assets	(24,912)	(33,598)
Decrease/(increase) in government grants receivable	1,958	2,262
Decrease/(increase) in prepaid expenses	2,816	(4,609)
Decrease/(increase) in inventory	(4,559)	4,092
Decrease/(increase) in other current assets and sales tax recoverable	(632)	893
Increase/(decrease) in accounts payable	40,561	(1,078)
Increase/(decrease) in accrued liabilities and provisions	102	(6,219)
Increase/(decrease) in contract liabilities	5,635	(8,109)
Increase/(decrease) in accrued interest	(3,217)	2,218
(Increase)/decrease in property, plant and equipment included in accounts payable	(12,933)	7,912
Others	(162)	979
	35	(47,814)

31. Subsequent Events

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

On February 2, 2023, the Company's subsidiary SoCal Organics Recycling Facility, LLC entered into a US\$10.0 million loan and security with the State of California, Department of Resources Recycling and Recovery. The loan matures on February 1, 2033 and bears interest 4.0% per annum. The loan is guaranteed by the Company's subsidiary, UTS Bioenergy Holdings, LLC and has certain affirmative covenants.

On February 22, 2023, the Company announced the sale of its Envo Biogas plant in Tønder, Denmark to Copenhagen Infrastructure Partners' (CIP) Advanced Bioenergy Fund I for gross proceeds of € 56.0 million. Anaergia plans to use proceeds from the sale towards facilitating additional growth, mainly in Italy and Germany.