Green Impact Partners

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended September 30, 2023 and 2022

November 27, 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2023 and 2022 is prepared as of November 27, 2023 and provides information concerning the financial condition and results of operations of Green Impact Partners Inc. ("GIP" or the "Company"). This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2023 and 2022 and the Company's audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements and additional information relating to GIP are available on SEDAR at www.sedar.com. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "GIP".*

Unless otherwise indicated, all dollar amounts presented herein are in thousands of Canadian dollars.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Certain information and statements contained in this MD&A constitute forward-looking statements, including: the Company's plans, prospects and opportunities; expectations regarding future revenue, EBITDA and generation of free cash flow; the anticipated production, inputs, carbon capture, performance, capital expenditures and methods of operations in relation to the Company's projects; the expected timing of project construction, milestones and operations; the timing of regulatory approval in respect of Carbon Intensity ("CI") certifications of the GreenGas Colorado Project; the timing of and ability to secure various regulatory approvals from the Government of Alberta and municipal permits from the City of Calgary for the Future Energy Park; the expected capital structure and organization of the Future Energy Park; the costs associated with the Company's projects and funding of such costs, including the potential divestiture of a minority interest in one or more of the Company's projects; the anticipated costs associated with capital spending, expectations for the Company's future operations, including the generation of free cash flow and increases in share-based compensation; the expected use of proceeds raised from the June 2023 private placement; expectations in respect of Investment Tax Credits ("ITC"), Production Tax Credits ("PTC") and the potential benefits thereof to the Company; anticipated developments in respect of the Clean Fuel Regulation ("CFR") and the potential benefits on the value of the Company's portfolio; expectations concerning the nature and timing of additional growth opportunities and the benefits thereof; additional partnership opportunities involving the Company's New Zealand-based energy company; expectations respecting competitive position; anticipated supply and demand for the Company's products and services; expectations concerning the financing of future business activities; the expected benefits of entering into financial hedging contracts; anticipated acquisitions and divestitures; the anticipated carbon impacts associated with the Company's projects and statements as to future economic and operating conditions. Readers should review the cautionary statement respecting forward-looking statements that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements.

These factors are set forth under "Risks and Uncertainties" in the annual MD&A for the year ended December 31, 2022, which can be found on the SEDAR website at www.sedar.com.

Forward-looking information concerning the nature and timing of growth is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of the Company, including sources of historic growth opportunities, in addition to our ability to successfully complete our projects and negotiate contracts, expectations relating to future economic, regulatory and operating conditions and adequate access to funding for our projects and ongoing operations. Forward-looking statements concerning the current and future competitive position of the Company's business and partnership relationships is based upon the current competitive environment in which the Company operates, management expectations relating to future economic and operating conditions, current and announced build programs, and the expansion plans of other organizations. Forward-looking statements concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied, prospects for obtaining potentially new financing sources, and expectations relating to future economic and operating conditions, including interest rates, supply chains, global supply and demand, energy and commodity prices. Forward-looking statements concerning future economic and operating conditions is based upon historical economic and operating conditions, as well as opinions of third-party analysts reflecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking statements set out in this MD&A.

All the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net and comprehensive income or to cash from (used in) operating, investing, and financing activities determined in accordance with IFRS, as indicators of our performance. We use non-IFRS measures, including EBITDA and Adjusted EBITDA, to assist investors in determining our ability to generate income and cash provided by operating activities and to provide additional information on how these cash resources are used. Non-IFRS measures are further discussed in the *Non-IFRS Measures* section of this MD&A.

## BUSINESS OVERVIEW

### Our Business

GIP is a clean energy company publicly traded on the TSX Venture Exchange. GIP's purpose is to create a more sustainable and inclusive planet through the development and production of clean, carbon neutral, energy. GIP acquires, develops, and builds renewable natural gas ("RNG") and clean bio-energy projects with the intention of building, owning and operating a portfolio of producing facilities, and participates in a wide range of zero-carbon opportunities during all stages of the project lifecycle – from idea generation through to operations. GIP has a growing, exclusive portfolio of RNG and clean bio-energy opportunities under development, and if all were to achieve final investment decision, would represent approximately $3 billion in anticipated capital expenditures. GIP is a leading developer of clean transition energy and is well positioned to be a leading producer of net zero carbon energy in North America. In addition to its core focus, GIP has a current portfolio of water and solids treatment and recycling facilities in Canada and a solids recycling business in the United States ("Water and Solids Treatment and Recycling").

The Company reports operating results for the following reportable segments:

- **Water and Solids Treatment and Recycling** – The Water and Solids Treatment and Recycling segment is currently comprised of operational and cash flowing assets in Canada and the United States that provide services to safely recycle and/or dispose of water and solids waste from third party operations as well as optimizing and marketing the associated by-products.

- **Clean Energy Production** – The Clean Energy Production segment includes both under construction development and pre-development clean energy projects located in Canada and the United States. The current portfolio of clean energy projects within this operating segment includes RNG, biofuel and hydrogen distribution. The clean energy projects within the Clean Energy Production segment are not yet operational and as such, have no associated revenue.

### Operations

The Water and Solids Treatment and Recycling facilities operate under a fee-for-service basis. Each of these facilities provides water and waste treatment and recycling services to multiple customers, including a mix of municipalities, governments, utilities, infrastructure, industrial, mining and energy companies in North America, depending upon the activities within the geographic region. The services are provided through area dedication agreements and state contracts, rather than volume-based commitments. Revenue and gross margin are also derived through optimizing and selling by-products associated with the waste products that are processed by the Company's facilities.

### Q3 2023 Highlights

Key highlights and accomplishments for Q3 2023 and as of the date of this MD&A include:

**Commercial Operations at GreenGas Colorado RNG Facility Imminent ("GreenGas Colorado"):**

The Company's GreenGas Colorado facilities are fully complete, with all major components commissioned. Commercial operations are imminent as the local utility completes its final interconnection steps to accept the gas production into the pipeline system. GIP continues to optimize performance of the facility to maximize the returns of the lowest possible carbon intensity score and highest energy production. GreenGas Colorado is expected to produce gas at or above the expected run-rate production of 360,000 million British thermal units ("MMBtu") per year, which remains on track to be fully realized through 2024.

**<u>Future Energy Park Advances in Preparation for Start of Construction in 2024:</u>** GIP continues to advance the Future Energy Park focusing on regulatory, engineering, procurement, and construction ("EPC") contracts, commercial contracts, and financing. The Company looks forward to working with the City of Calgary to commence construction in 2024. GIP expects financial close as early as the first quarter of 2024.

The Company continues to work with the City of Calgary to secure municipal permits to progress to earthworks activities and commence full construction.

## Project Construction and Development Updates

### *GreenGas Colorado*

As discussed above, the GreenGas Colorado facilities are fully complete, with all major components commissioned. Commercial operations are imminent as the local utility completes its final interconnection steps to accept the gas production into the pipeline system. Design and component system testing results and early gas production are favorable with the facility expected to produce gas at or above the expected run-rate production of 360,000 MMBtu per year in 2024. Post-commissioning, the GreenGas Colorado Facility will be required to meet certain CI certifications to monetize the environmental attributes both under the California Low Carbon Fuel Standard ("LCFS") as well as the federal Renewable Fuel Standard ("RIN") program. As a result of this certification process, cash from the environmental credits will not be received until certification is completed, which is anticipated in late 2024, subject to certification timelines.

GreenGas Colorado, located in Weld County, Colorado, was constructed under a fixed-price Engineering, Procurement and Construction ("EPC") contract. The final capital cost, including soft costs, initial working capital reserve, fees associated with debt financing, and developer fees, was approximately $105.1 million (US $77.7 million). GreenGas Colorado was funded through cash on hand and its non-recourse project debt financing facility, which closed in December 2021 for $51.2 million (US $37.9 million) (the "GreenGas Debt Facility"). The GreenGas Debt Facility included a construction facility which was deemed to have converted to a traditional term loan facility (the "Conversion Date") on July 1, 2023, with customary conversion requirements required to be met by March 31, 2024 and June 30, 2024. The term loan facility amortizes fully over six years, maturing on June 30, 2029. In 2022, the Company entered into a fixed-rate interest rate swap to fix the floating interest rate during the six-year term loan at 7.35%.

As previously disclosed, in February 2023, Amber Infrastructure, through a wholly-owned subsidiary, purchased a 50% interest in GreenGas Colorado for gross proceeds of $59.4 million (US $44.0 million). The purchase price is paid in two installments, with $38.5 million (US $28.5 million) paid upon close on February 23, 2023, and $20.9 million (US $15.5 million) to be paid upon the anticipated completion of a third-party sale of GreenGas Colorado ITCs. In February 2023, GIP acquired its minority partners' interest in GreenGas Colorado for $15.1 million (US $11.2 million).

The Company has engaged an independent third party to provide an initial assessment of the GreenGas Colorado ITCs available for sale. Based on this independent assessment, the Company expects net ITC proceeds of approximately $32.2 million (US $23.8 million). GIP has finalized the definitive agreements for the sale of the ITCs to a third party with closing anticipated in December 2023.

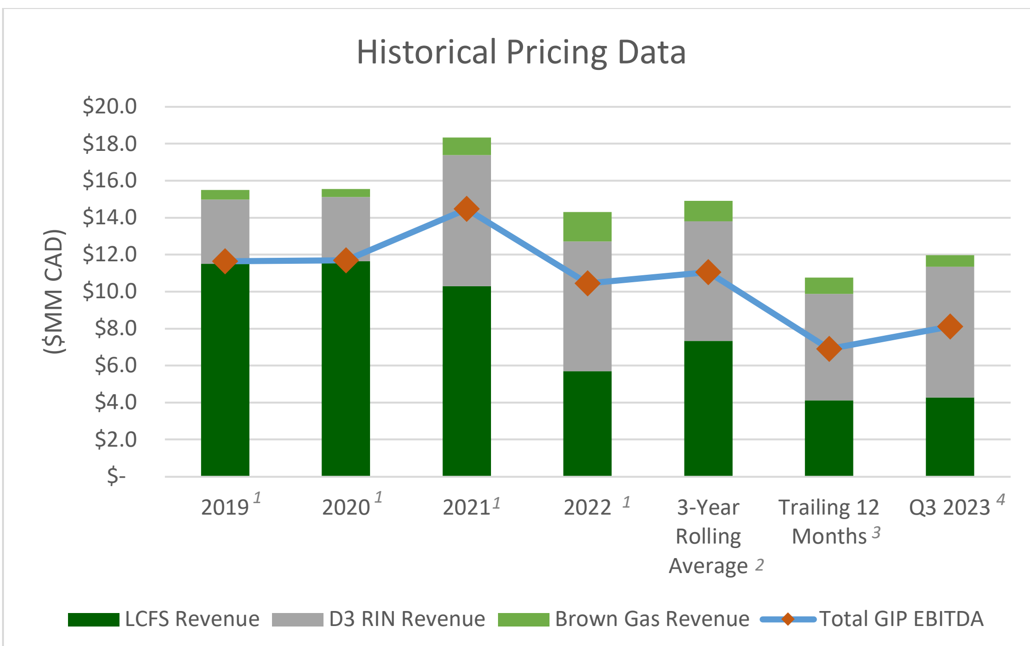
Once sold, under GIP's agreement with Amber Infrastructure, the Company has the ability to retain all of the $32.2 million (US $23.8 million) of ITC proceeds. Upon closing, $20.9 million (US $15.5 million) of the ITC proceeds will be segregated and available for potential release to GIP over a five-year period ending June 30, 2028, based on the project's ability to meet its distributable cash forecasts. In addition, pursuant to the terms of the GreenGas Debt Facility, $8.1 million (US $6.0 million) of the ITC sale proceeds will be used to increase the project's debt service reserve account. Upon maturity of the GreenGas Debt Facility, these additional funds will be released to GIP. The net ITC proceeds of $3.1 million (US $2.3 million) will be released immediately to GIP, with the potential for release of the remaining proceeds to GIP on June 30, 2028, or on June 30, 2029 upon maturity of the GreenGas Debt Facility.

Amber Infrastructure and GIP now jointly control GreenGas Colorado. As a result, post-acquisition, the financial results of GreenGas Colorado are no longer consolidated and are accounted for as an equity investment.

GreenGas Colorado has executed a 10-year offtake agreement with an A- rated counterparty to sell 100% of its RNG generation. The offtake agreement secures delivery of GreenGas Colorado's RNG into the LCFS and RIN markets. The Company's production and associated revenue is based on merchant pricing in these markets, less certain charges under the offtake agreement, including transportation. LCFS and RIN market pricing is a key risk for GreenGas Colorado.

The graph below illustrates the revenue and EBITDA that GIP would have realized for this project for its net ownership interest of 50%, based on the expected generation capacity per annum using the actual market pricing over the historical period, adjusted for charges under the offtake agreement, including transportation.

In determining our long-term run-rate EBITDA, management forecasts are based on the trailing three-year historical average pricing of $74/MMBtu, a projected CI score of -189, net of transportation charges, expected run-rate production and operating cost estimates. For the three years ended September 30, 2023, this would result in approximately net $11 million in total EBITDA[1] per annum for the Company's 50% interest.




[1] This is a non-IFRS financial measure. See the "Summary of Non-IFRS Measures" section. EBITDA represents Income from Operations, before depreciation and amortization, based on the trailing three-year historical average pricing of $74/MMBtu, a projected CI score of -189, net of transportation charges, expected run-rate production and operating cost estimates.

Graph Footnotes:

[1] The 2019, 2020, 2021 and 2022 periods demonstrate the revenue and EBITDA that GreenGas Colorado would have received based on the Company's estimated RNG production of 360,000 MMBtu per annum and the annual historical average pricing for LCFS, RIN and brown gas. The chart is the Canadian dollar ("CAD") equivalent based on an average United States dollar to CAD exchange rate of 1.36.

[2] The 3 Year Rolling Average period demonstrates the revenue and EBITDA that GreenGas Colorado would have received based on the Company's estimated RNG production of 360,000 MMBtu per annum and the historical average pricing for LCFS, RIN and brown gas from October 1, 2020 to September 30, 2023. The chart is the Canadian dollar ("CAD") equivalent based on an average United States dollar to CAD exchange rate of 1.36.

[3] The trailing 12 Month period demonstrates the revenue and EBITDA that GreenGas Colorado would have received based on the Company's estimated RNG production of 360,000 MMBtu per annum and the historical average pricing for LCFS, RIN and brown gas from October 1, 2022 to September 30, 2023. The chart is the Canadian dollar ("CAD") equivalent based on an average United States dollar to CAD exchange rate of 1.36.

[4] The Q3 2023 period demonstrates the revenue and EBITDA that GreenGas Colorado would have received based on the Company's estimated RNG production of 360,000 MMBtu per annum and the historical average pricing for LCFS, RIN and brown gas for Q3 2023 extrapolated for a full year. The chart is the Canadian dollar ("CAD") equivalent based on an average United States dollar to CAD exchange rate of 1.36.

## *Future Energy Park*

The Company continues to materially advance its large-scale bio-fuel facility in Calgary, Alberta. Future Energy Park has an estimated annual production of over 3.5 million MMBtu of RNG, over 300 million litres of cellulosic equivalent ethanol, approximately 350,000 tonnes of wet distillers' grain, up to 1.6 million tonnes of emission offset credits, and 325,000 tonnes of clean, biogenic $CO_2$.

Future Energy Park is projected to utilize non-food grade wheat that will be processed through a bio-fermentation process that generates ethanol. The by-product from the bio-fermentation process will then be converted into RNG through an anerobic digestion process. In addition, to support the facility's power, steam and hot water requirements, Future Energy Park will also include a high efficiency combined heat and power facility with any excess power sold into the market. Carbon credits and emission offset credits are generated throughout the entire facility process, in addition to other by-products including: wet distillers' grain, which is high in protein; and captured, pure and usable biogenic $CO_2$.

In Q3 2023, the Company incurred $5.3 million in costs to further advance Future Energy Park, with approximately $2.5 million remaining to be spent over the remainder of 2023 and early 2024 to advance the project to financial close and commencement of construction.

### *Feedstock*

Future Energy Park has entered into a long-term supply agreement (the "Feedstock Contract") with a large creditworthy counterparty to purchase 750,000 tonnes annually of non-food grade wheat, which depending on starch content, is expected to supply all of the waste feedstock required for Future Energy Park on an annual basis. The Company has the option to purchase any additional wheat supply if needed, dependent on starch content, from the same supplier or other sources. The Feedstock Contract secures supply at market rates depending on the quality of the wheat.

### *Offtake Agreements*

*RNG*

The Company has progressed through the term sheet phase of its commercial process and is in the process of finalizing a definitive agreement for the sale of 100% of its RNG produced on a long-term basis to a highly creditworthy counterparty for a fixed price, with upside sharing on any environmental attributes expected to be generated by the Future Energy Park under any applicable provincial and federal carbon crediting programs. Under the agreement, the Company expects standard minimum supply requirements, subject to customary force majeure events. Including anticipated fees and net of operating costs, Future Energy Park expects to generate approximately $100 million in EBITDA annually[2] for the sale of its RNG.

*Emission Offset Credits*

As a result of the diversion from landfills for the stillage produced through the bioethanol fermentation process, the Future Energy Park is anticipated to produce up to 1.6 million tonnes per annum of emission offset credits, net of any compliance obligations, under the Technology Innovation and Emissions Reduction Regulation (“AB Tier”). Future Energy Park has entered into several agreements for the sale of these emission offset credits. 250,000 tonnes of equivalent emission offset credits will be sold to a large North American energy infrastructure company for an initial five-year term at a fixed discount to the Climate Change and Emissions Management Fund price established under the Alberta Climate Change and Emissions Management Act (the “Index Price”). An additional 100,000 tonnes of equivalent emission offset credits per annum have been contracted for an initial three-year term at a fixed discount to the Index Price to a Canadian-based commodity marketing company. This counterparty has also contracted any excess credits on an annual basis at the prevailing market price minus a marketing fee for such credits for a five (5) year term. The current Index Price is $65 per tonne and is set to increase annually by $15/tonne per year to a maximum of $170/tonne by 2030. Initial annual run-rate EBITDA for the sale of emission offset credits is approximately $125 million[3]. Under AB Tier, the majority of the emission offset credits have a 10-year life, with the potential to extend for an additional five years, subject to regulatory approval.

*Ethanol*

Future Energy Park intends to sell 100% of its ethanol production, consisting of over 300 million litres annually of cellulosic equivalent ethanol, to two independent, highly creditworthy counterparties. The project has finalized a binding contract with a large, international integrated energy company to sell 50% of its ethanol production, including the associated environmental attributes, for eight years at merchant prices, less a marketing fee. The project has executed a non-binding term sheet and is currently finalizing a definitive agreement for the sale of its remaining 50% of ethanol production to a multi-national commodity trading company for an initial five-year term, mutually extendable for additional years thereafter. Under the agreement, the ethanol produced will be sold at merchant prices with a combination of fixed and merchant pricing for the environmental attributes associated with the ethanol. The ethanol is anticipated to be sold into North American markets and is expected to generate revenue through both the sale of the underlying fuel and the sale of associated environmental attributes under various low carbon and clean fuel standards across North America. Based on independent third-party price forecasts, the project estimates receiving approximately $110 million annually in EBITDA[4] from the sale of the ethanol and environmental attributes with 20% on a fixed price basis.

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[2] This is a non-IFRS financial measure. See the “Summary of Non-IFRS Measures” section. EBITDA represents Income from Operations, before depreciation and amortization, based on disclosed generation at full production, term sheet pricing, independent third-party price forecasts for applicable provincial and federal carbon crediting programs, direct and indirect costs.

[3] This is a non-IFRS financial measure. See the “Summary of Non-IFRS Measures” section. EBITDA represents Income from Operations, before depreciation and amortization, based on disclosed generation at full production, contract pricing, direct and indirect costs.

[4] This is a non-IFRS financial measure. See the “Summary of Non-IFRS Measures” section. EBITDA represents Income from Operations, before depreciation and amortization, based on disclosed generation, contract and term sheet pricing, independent third-party price forecasts for the sale of both ethanol and its associated environmental attributes, direct costs, including feedstock supply, and indirect costs.

*Distillers Grain*

Future Energy Park is expected to produce up to 350,000 tonnes annually of wet distillers' grain which has been contracted for sale to a local marketer of agricultural commodities for an initial 10-year period. The Company is currently finalizing the optimal moisture content for the grain to garner the highest economic returns. Based on initial estimates, the Company expects to receive up to $20 million in EBITDA[5] annually for the sale of this product.

Once fully operational, based on anticipated generation, independent price forecasts, actual and anticipated contract terms as described above, and anticipated operational expenses, the Company anticipates Future Energy Park to generate annual EBITDA of over $300 million[6]. The Company expects to retain a 50% interest in the project with 50% held by Amber Infrastructure.

***Engineering, Procurement & Construction Contracts***

The contract terms for the EPC contracts for Future Energy Park are significantly advanced and near final, with execution expected by year end once the Company has finalized its capital cost estimate. Subject to the close of financing, construction is anticipated to start in 2024 with completion anticipated in 2026.

***Material Permits & Approvals***

In 2023, Future Energy Park received its final Land Use Approval from the City of Calgary, its Water Act Approval from Alberta Environment and Protected Areas and its AUC approval, with one remaining material permit expected to be received shortly. The Company continues to actively engage with the City of Calgary to secure various municipal permits as the Company readies for earthworks and all other construction activities.

***Financing***

As previously disclosed, Amber Infrastructure, under a strategic partnering agreement, has committed to invest up to $485 million of equity capital in the Iowa RNG and Future Energy Park projects in exchange for a 50% equity interest. The investment is subject to customary conditions for transactions of this nature. The equity injection for each project will occur once financial close of the non-recourse project debt financing has been achieved and represents over 100% of the equity capital required to build the facilities.

In addition to the equity investment by Amber Infrastructure, Future Energy Park is expected to be financed through non-recourse project debt financing with leverage up to 75% of total capital costs. The Company has commenced debt financing activities and expects financial close as early as the first quarter of 2024.

***Iowa RNG Project***

GIP continues to advance the development of its Iowa RNG project ("Iowa RNG"). Due to the impact of inflationary pressures on construction costs, the Company is in the process of finalizing design and strategy for construction to develop the optimal approach given the cost environment. With updated design, Iowa RNG, comprised of three dairies, is expected to generate approximately 270,000 MMBtu of RNG per annum and has a projected CI score of -230. In Q3 2023, the Company incurred $0.7 million in costs to further advance Iowa RNG. Subject to a final investment decision, approximately $1.8 million remains to be spent

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[5] This is a non-IFRS financial measure. See the "Summary of Non-IFRS Measures" section. EBITDA represents Income from Operations, before depreciation and amortization, based on disclosed generation, independent third-party price forecasts for distillers' grain, direct and indirect costs.

[6] This is a non-IFRS financial measure. See the "Summary of Non-IFRS Measures" section. EBITDA represents Income from Operations, before depreciation and amortization, based on the assumptions disclosed under each revenue source.

over the remainder of 2023 and in the first half of 2024 to advance the project to financial close and commencement of construction.

Based on a preliminary project cost of $100 million, including financing and soft costs, the Company expects leverage of approximately 50%. Iowa RNG is similar in scope to GreenGas Colorado and is anticipated to deliver its RNG into U.S. LCFS and RIN markets. Based on the three-year historical rolling average price ended September 30, 2023 of $83/MMBtu, a projected CI score of -230, net of transportation charges, expected run-rate production and operating cost estimates, the Company estimates $16 million in total EBITDA[7] per annum on a gross basis. The Company expects to retain a 50% interest in the project with 50% held by Amber Infrastructure.

***New Zealand Green Hydrogen***

In 2021, the Company closed on a $2.8 million investment in a New Zealand-based energy company ("NZCo") focused on developing a green hydrogen refuelling network across New Zealand servicing commercial and heavy transport customers. It is GIP's view that the hydrogen market will likely take many years to develop and will need substantial technological advancement to achieve both positive environmental impact and financial viability. Investing in the space early with partners and government support gives GIP the lens it needs to help push the changes to technology, policy and appropriate use for environmental and societal benefit. GIP's investment, along with other partners, supports the construction of the first phase, which includes four hydrogen refuelling stations. The first phase is fully financed, however due to industry supply chain backlogs, commercial operations are now anticipated by year end 2023. GIP currently holds a 12% interest, with an option to increase its interest to 18% by investing an additional $3.9 million in capital. This option is triggered once NZCo satisfies certain performance milestones. The investment also includes an additional opportunity to increase the Company's investment at a later date. As green hydrogen markets evolve in North America and globally, this initial investment is anticipated to result in additional opportunities to partner with NZCo on green hydrogen and other biofuel opportunities worldwide. Green hydrogen is produced from renewable energy sources, is carbon free, and aligns with GIP's strategic purpose.

***Additional Growth Opportunities***

In addition to the projects discussed above, the Company has identified multiple growth opportunities at various stages of development which, if all achieve final investment decision, could represent over $3 billion in total clean energy initiatives.

The Company continues to evaluate the growth opportunities through its internal development team, without the requirement for capital outlays until such opportunities advance to the project stage.

[7] This is a non-IFRS financial measure. See the "Summary of Non-IFRS Measures" section. EBITDA represents Income from Operations, before depreciation and amortization, based on the three-year historical rolling average price ended September 30, 2023 of $83/MMBtu, a projected CI score of -230, net of transportation charges, expected run-rate production and operating cost estimates.

| Project Portfolio | Total Capital ($/millions) | Status |
|---|---|---|
| Future Energy Park | 1,200 | Permitting/Site Preparation |
| Iowa RNG | 100 | Permitting/Final Engineering |
| **Additional Growth Opportunities** | | |
| Canadian Renewable Fuels Projects | 1,407 | Preliminary Engineering |
| US Renewable Fuels Projects | 875 | Preliminary Engineering/Early Development |
| **TOTAL** | **3,582** | |

***Policy Developments***

There have been recent developments in the renewable energy space that are expected to have a material impact on the Company's projects.

*Investment Tax Credits:*

In August 2022, the Inflation Reduction Act of 2022 was passed by the U.S. House of Representatives to spur the expanded production of clean energy facilities and put the U.S. on a path to 40% emissions reduction by 2030. The legislation extends and improves the existing ITC for investments in infrastructure to produce clean fuels.

The ITC has been expanded to include qualified biogas projects such as the Company's organic waste RNG projects and provides for a refundable, transferable, tax credit that could amount to 30% of certain eligible construction costs with a potential 10% bonus credit for projects that meet domestic content requirements and a 10% bonus for projects that are in energy communities as defined by the IRS. The ITC applies to projects placed into service on or after January 1, 2023 and that have begun construction by the end of 2024.

The ITC is expected to provide a direct benefit to GIP's portfolio of U.S. development and construction assets, including a benefit of approximately $32.2 million (US $23.8 million)[8] for GreenGas Colorado and approximately $22.3 million (US $16.5 million)[9] for Iowa RNG. As discussed above, for GreenGas Colorado, the Company has finalized the definitive agreement to monetize this benefit through a transfer to a third party and anticipates entering into a similar agreement for Iowa RNG.

In Canada, both the 2022 Fall Economic Statement and the 2023 Federal Budget, introduced a refundable ITC equal to 30% of the capital cost of eligible equipment related to clean technologies. Further information is required to fully assess the impact, however, based on initial analysis the Company expects to receive a minimum ITC for Future Energy Park of $20 million[10], with potential additional benefits for future projects.

*Production Tax Credits ("PTC"):*

In addition, starting on January 1, 2025, the sustainable aviation fuel, biodiesel renewable fuels, and alternative fuels credits will transition to the clean fuel production credit under Section 45Z of the U.S. Inflation Reduction Act, which terminates on December 31, 2027. The credit applies to transportation fuel produced and sold from December 31, 2024 through December 31, 2027 and that meets a particular

[8] Based on GreenGas Colorado's expected eligible cost tax basis multiplied by the ITC credit amount of 30% as estimated by an independent third party.

[9] Based on Iowa RNG's estimated eligible cost tax basis multiplied by the ITC credit amount of 30%.

[10] Based on the anticipated eligible costs related to carbon capture capital expenditures multiplied by the 30% ITC refund as proposed.

emissions reduction factor. GIP expects its RNG facilities to meet the criteria to qualify for these PTCs. The Inflation Reduction Act provides a base credit of 20 cents per gallon or $1.00 per gallon if prevailing wage and apprentices requirements are met. The actual credit amount is determined using a formula that takes into account the base credit amount and the greenhouse gas ("GHG") emissions factor. Based on a GHG emissions factor of zero, GIP estimates the impact of these PTCs to be approximately $8 per MMBtu of production. However, if project specific CI scores are used to base the GHG emissions rate associated with the PTC's, we could expect to see up to five to six times the base $8 per MMBtu based on the CI scores of our current RNG projects of -189 for GreenGas Colorado and -230 for Iowa RNG. Similar to the ITC, the Company may sell the PTC's to a third party for cash proceeds.

*Clean Fuel Regulation:*

In Canada, the federal government has developed the Clean Fuel Regulations ("CFR") that aim to reduce the CI of liquid fuels nationwide by approximately 15% below 2016 levels by 2030. The CFR is a national level LCFS focused on driving investment and growth in Canada's transportation fuel sector. It will require liquid fossil fuel primary suppliers (domestic importers and/or producers) to lower the CI of their fuel starting July 1, 2023 and thereafter. Compliance can be accomplished through specific pathways or compliance categories, which generate clean fuel credits or require the acquisition of credits. Compliance credits can be cleared through the carbon credit market for traded credits (maximum price set at $300/mt in 2022 dollars, CPI adjusted), and through non-tradeable credits within the compliance fund mechanism (price set at $350/tonne in 2022 dollars, adjusted annually based on CPI). This latter mechanism has a limited 10% use for meeting compliance obligations. The introduction of the CFR will allow GIP to incrementally monetize the value of its environmental credits associated with its Canadian portfolio, in particular, the bio-fuels produced by Future Energy Park, (ethanol and RNG) by selling these credits to fuel suppliers to enable them to meet their annual CI reduction obligations. This benefit will also extend to GIP's other Canadian biofuels projects.

## FINANCIAL HIGHLIGHTS

| ($000)<br>*As at and for the Three months ended* | September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Revenue | 46,141 | 55,347 | (9,206) |
| Gross margin | 2,526 | 1,034 | 1,492 |
| Income (Loss) from operations | (597) | (1,435) | 838 |
| Net income (loss) | (1,986) | (223) | (1,763) |
| Comprehensive income (loss) | (1,366) | 2,110 | (3,476) |
| Funds from (used in) operations | 660 | (200) | 860 |
| Cash from (used in) operations | (1,639) | (2,580) | 941 |
| Purchase of property, plant and equipment | (7,096) | (11,888) | (4,792) |
| Total assets | 194,476 | 224,075 | (29,599) |
| Total liabilities | 73,307 | 100,131 | (26,824) |

| ($000) *As at and for the Nine months ended* | September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Revenue | 123,772 | 169,019 | (45,247) |
| Gross margin | 5,444 | 4,292 | 1,152 |
| Income (Loss) from operations | (3,731) | (3,852) | 121 |
| Net income (loss) | 6,356 | (4,237) | 10,593 |
| Comprehensive income (loss) | 6,750 | (1,033) | 7,783 |
| Funds from (used in) operations | 4,394 | 260 | 4,134 |
| Cash from (used in) operations | 5,680 | (2,105) | 7,785 |
| Purchase of property, plant and equipment | (20,246) | (46,029) | 25,783 |
| Total assets | 194,476 | 224,075 | (29,599) |
| Total liabilities | 73,307 | 100,131 | (26,824) |

## RESULTS OF OPERATIONS

### Revenue:

| ($000) | For The Three Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 40,660 | 50,392 | (9,732) |
| Fee for service – water treatment and disposal | 2,522 | 2,438 | 84 |
| Fee for service – solids disposal and recycling | 2,959 | 2,517 | 442 |
| **Total Revenue** | **46,141** | **55,347** | **(9,206)** |
| *Revenue Volumes* | | | |
| Energy product optimization (m3) | 61,556 | 73,076 | (11,520) |
| Fee for service – water treatment and disposal (m3) | 150,139 | 141,651 | 8,488 |
| Fee for service – solids disposal and recycling (tonnes) | 73,791 | 28,466 | 45,325 |

### Direct Costs:

| ($000) | For The Three Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 39,499 | 50,248 | (10,749) |
| Fee for service | 4,116 | 4,065 | 51 |
| **Total Direct Costs** | **43,615** | **54,313** | **(10,698)** |

### Gross Profit:

| ($000) | For The Three Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 1,161 | 144 | 1,017 |
| | *2.9%* | *0.3%* | *2.6%* |
| Fee for service | 1,365 | 890 | 475 |
| | *24.9%* | *18.0%* | *6.9%* |
| **Total Gross Profit** | **2,526** | **1,034** | **1,492** |
| | 5.5% | 1.9% | 3.6% |

Revenue decreased by $9.2 million or 17% for the three months ended September 30, 2023, as compared to the same period in 2022. The majority of this decrease was due to the Company's energy product optimization services, where total volumes processed and sold dropped by approximately 16% quarter over quarter. Volumes were higher than average for the corresponding period of 2022 due to increased industry activity as a result of higher commodity prices. Volumes in Q3 2023 were more in line with average. Q3 2023 was also impacted by a 7% reduction in the underlying market prices for the energy products optimized and sold.

Revenue from fee for service for the three months ended September 30, 2023 increased by $0.5 million or 11%, as compared to the same period in 2022. Fee for service solids disposal and recycling accounted for the majority of the increase with both an uplift in volumes from continuing to attract new customers, as well as additional fee increases to continue to manage inflationary cost pressure over the past two years.

Direct costs decreased by $10.7 million for the three months ended September 30, 2023, as compared to the same period in 2022. The majority of this 20% reduction resulted from energy product optimization services for the same reasons discussed in the revenue commentary above with both the volume processed and the price to take custody of those volumes dropping 16% and 7%, respectively.

The majority of the $1.5 million or 144% improvement in gross profit for the three months ended September 30, 2023 as compared to the same period in 2022, was a result of the disproportionate decline in energy product optimization direct costs relative to the drop in revenue quarter over quarter as discussed above. The remainder of the improvement resulted from increased volumes and increased fees for the fee for service business on the water treatment and disposal services, in particular increased solids disposal and recycling volumes, which have higher relative margins as compared to water treatment and disposal services.

**Revenue:**

| ($000) | For The Nine Months Ended<br>September 30, 2023 | <br>September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 108,799 | 154,023 | (45,224) |
| Fee for service – water treatment and disposal | 7,365 | 7,547 | (182) |
| Fee for service – solids disposal and recycling | 7,608 | 7,449 | 159 |
| **Total Revenue** | **123,772** | **169,019** | **(45,247)** |
| *Revenue Volumes* | | | |
| Energy product optimization (m3) | 181,597 | 202,214 | (20,617) |
| Fee for service – water treatment and disposal (m3) | 411,897 | 426,153 | (14,256) |
| Fee for service – solids disposal and recycling (tonnes) | 102,909 | 68,080 | 34,829 |

**Direct Costs:**

| ($000) | For The Nine Months Ended<br>September 30, 2023 | <br>September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 105,388 | 151,745 | (46,357) |
| Fee for service | 12,940 | 12,982 | (42) |
| **Total Direct Costs** | **118,328** | **164,727** | **(46,399)** |

**Gross Profit:**

| ($000) | For The Nine Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Energy product optimization | 3,411 | 2,278 | 1,133 |
| | *3.1%* | *1.5%* | *1.6%* |
| Fee for service | 2,033 | 2,014 | 19 |
| | *13.6%* | *13.4%* | *0.2%* |
| **Total Gross Profit** | **5,444** | **4,292** | **1,152** |
| | *4.4%* | *2.5%* | *1.9%* |

Revenue decreased by $45.2 million or 29% for the nine months ended September 30, 2023, as compared to the same period in 2022 for the same reasons discussed above, however, to a lesser degree for both volumes and pricing in the first three months of 2023.

The decrease in revenue and direct costs for the energy product optimization services for the nine months ended September 30, 2023, was primarily due to lower volumes, that resulted from shut-ins of local producer operations due to wildfires in Alberta throughout May, resulting in less volume being shipped to the Company's facilities.

Fee for service direct costs for the nine months ended September 30, 2023, were relatively consistent with the nine months ended September 30, 2022. Despite a 3% reduction in water treatment and disposal volumes, this was more than offset by the 51% increase in solids disposal and recycling volumes processed in 2023 relative to 2022. This higher per unit cost for the nine months ended September 30, 2023, relative to the same period in 2022 was mostly attributable to the first three months of the year when cost inflation was higher than average, particularly electricity and regulatory costs. These costs came more in line with historical averages in the second and third quarter of 2023.

The changes in gross profit from the energy product optimization services for the nine months ended September 30, 2023, were for the same reasons as the changes for the three months ended September 30, 2023, as evidenced by consistent gross profit percentage. Fee for service gross profit was higher for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, at 4.4% relative to 2.5% in 2022. Despite the improvement in gross profit for the three months ended September 30, 2023, the first quarter of 2023 was impacted by higher cost inflation as noted above and lower commodity pricing for solids recycling prices in the first nine months of 2023 compared to the same period of 2022.

**Operating Expenses:**

| ($000) | For The Three Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Depreciation and amortization | 1,274 | 1,266 | 8 |
| Salaries and wages | 561 | 474 | 87 |
| Selling, general and administration | 1,288 | 729 | 559 |
| **Total Operating Expenses** | **3,123** | **2,469** | **654** |

| ($000) | For The Nine Months Ended September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Depreciation and amortization | 3,806 | 4,186 | (380) |
| Salaries and wages | 1,915 | 1,299 | 616 |
| Selling, general and administration | 3,454 | 2,659 | 795 |
| **Total Operating Expenses** | **9,175** | **8,144** | **1,031** |

Operating expenses for the three and nine months ended September 30, 2023 have increased by $0.7 million or 26% and $1.0 million or 13%, respectively, compared to the same periods in 2022 for the reasons discussed above with respect to gross margin.

Depreciation and amortization for the three months ended September 30, 2023 were consistent with the same period in the prior year. Depreciation and amortization for the nine months ended September 30, 2023 decreased by $0.4 million or 9% compared to the same period in the prior year. This $0.4 million decline was a result of higher than normal depreciation expense in Q1 2022 related to asset retirement expenditures and the associated abandonment asset that was fully depreciated in that quarter of the comparative period.

Salaries and wages for the three months ended September 30, 2023 increased by $0.1 million or 18% compared to the three months ended September 30, 2022. This increase is a direct result of increases in staffing levels over the past year as the Company continues to scale its team. For the nine months ended September 30, 2023, salaries and wages increased by $0.6 million or 47% of the same period in 2022 for the same reasons in addition to bonuses paid in the first quarter of 2023. There was no similar bonus payment in the first nine months of 2022.

Selling, general and administrative expenses, which includes the following items: rental costs, vehicle costs, insurance expenses, office costs, advertising and promotion, and professional and consulting fees, increased for the three and nine months ended September 30, 2023 by approximately 77% and 30%, respectively, as compared to the same periods in 2022. This increase was due to the overall growth of the Company in the past year. Additional legal, consulting, insurance, training, travel, and other costs were incurred to support the overall organizational growth.

### Non-Operating Expenses (Income):

| ($000) | For the Three Months Ended September 30, 2023 | September 30, 2022 | Change ($) |
|---|---|---|---|
| Unrealized (gain)/loss on risk management contracts | - | (1,758) | 1,758 |
| Equity (earnings) loss from joint venture | (266) | - | (266) |
| Finance cost | 590 | 261 | 329 |
| Share-based compensation | 1,225 | 708 | 517 |
| Gain on sale of interest in subsidiary | - | - | - |
| Management Fee | - | - | - |
| Unrealized (gain)/loss on foreign exchange | (212) | (10) | (202) |
| Realized (gain)/loss on foreign exchange | 9 | 10 | (1) |
| Total Non-Operating Expenses | **1,346** | **(789)** | **2,135** |

| ($000) | For the Nine Months Ended<br>September 30, 2023 | <br>September 30, 2022 | Change ($) |
|---|---|---|---|
| Unrealized (gain)/loss on risk management contracts | (555) | (961) | 406 |
| Equity (earnings) loss from joint venture | (298) | - | (298) |
| Finance cost | 1,820 | 610 | 1,210 |
| Share-based compensation | 3,806 | 1,754 | 2,052 |
| Gain on sale of interest in subsidiary | (10,142) | - | (10,142) |
| Management Fee | (6,745) | - | (6,745) |
| Unrealized (gain)/loss on foreign exchange | 15 | (9) | 24 |
| Realized (gain)/loss on foreign exchange | 46 | 18 | 28 |
| Total Non-Operating Expenses | **(12,053)** | **1,412** | **(13,465)** |

### Unrealized Loss on Risk Management Contracts

The unrealized loss on risk management contracts relates to a fixed-price interest rate swap that was entered into in 2022 by a previously consolidated subsidiary of the Company, GreenGas Colorado LLC. The Company has not applied hedge accounting to account for this financial instrument and therefore the swap is marked to market each reporting period with any unrealized gains and losses being recognized in earnings or losses. As outlined in note 4 to the condensed consolidated interim financial statements, the Company disposed of 50% of GreenGas Colorado in the first quarter of 2023 and now jointly controls the entity with another partner and no longer exercises control. Consequently, the entity is no longer consolidated within the Company's consolidated financial statements. As a result, in future reporting periods, the realized and unrealized gains and losses associated with the swap will be recognized through the equity (earnings) loss from joint venture in the statement of operations.

### Gain on Sale of Subsidiary

As outlined in note 4 to the condensed consolidated interim financial statements, the Company sold a 50% interest in GreenGas Colorado LLC for gross proceeds of $59.3 million. The purchase price includes an initial gross installment of $38.7 million and an additional $20.9 million in consideration that is contingent on the future sale of investment tax credits (the "Contingent Consideration"). A gain on sale of $10.1 million was recognized in the first quarter associated with this disposition of interest, representing the difference between the net proceeds after transaction costs and the carrying value of the net assets sold.

The Contingent Consideration was not included within the proceeds on sale used to determine the gain on sale of GreenGas Colorado for the current period.

### Equity (Earnings) Loss From Joint Venture

As previously discussed, effective on the close date of the sale of the 50% interest in GreenGas Colorado, the Company no longer controlled the entity but is rather in a joint control arrangement with another partner. Consequently, the assets, liabilities and results of operations are no longer presented within the consolidated results of the Company. The Company's share of net assets and net income or loss is presented on the statement of operations as equity (earnings) loss from joint venture. For the three and nine months ended September 30, 2023, the equity (earnings) loss from joint venture represents the company's share of the net loss of GreenGas Colorado, the majority of which relates to the unrealized loss on the mark to market of the aforementioned interest rate swap.

### Finance Costs

Finance costs for the three and nine months ended September 30, 2023 were comprised of a combination of interest on long-term debt, accretion expense on the asset retirement obligation liability and the amortization of deferred financing costs. The increase of $0.3 million and $1.2 million, for the three and nine months respectively, was a direct result of the levels of interest-bearing debt in the associated reporting periods. For the three and nine months ended September 30, 2023, the majority of finance costs were associated with the Company's corporate credit facility, which increased to a drawn balance of $21.0 million at September 30, 2023 and an average balance for Q3 2023 of approximately $25.1 million. The increase is a function of both a higher average balance and higher interest rates in 2023 as compared to 2022.

### Share-based Compensation

Share-based compensation increased by $0.5 million and $2.0 million in the three and nine months ended September 30, 2023, respectively as compared to the three and nine months ended September 30, 2022. This increase is directly correlated to the additional restricted share units, performance share units and stock options granted over the past year. At September 30, 2023, there were a total of 1,543,541 stock options, 396,320 restricted share units and 410,336 performance share units outstanding as compared to 925,820 stock options, 597,132 restricted share units and nil performance units outstanding at September 30, 2022.

### Management Fee

Subsequent to the completion of the sale of GreenGas Colorado, GIP, through is wholly owned subsidiary GIP U.S., Inc. as partner, received a $6.7 million (US $5.0 million) one-time management fee in Q2 2023 from the partnership as compensation for the services rendered to date in development of the GreenGas Colorado Project. The payment of this management fee was subject to certain project performance milestones, all of which were met during Q2 2023.

## SUMMARY OF NON-IFRS MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net and comprehensive income or to cash from (used in) operating, investing, and financing activities determined in accordance with IFRS, as indicators of our performance. We use non-IFRS measures, including EBITDA and Adjusted EBITDA, to assist investors in determining our ability to generate income and cash provided by operating activities and to provide additional information on how these cash resources are used.

Below is a description and composition of each non-IFRS measure disclosed in this MD&A , together with: (i) the most directly comparable financial measure that is specified, defined and determined in accordance with IFRS to which each non-IFRS measure relates; (ii) an explanation of how each non-IFRS measure provides useful information to investors and the additional purposes for which management uses each non-IFRS measure; and (iii) a quantitative reconciliation of each non-IFRS measure to the most directly comparable IFRS financial measure.

**EBITDA** is defined as earnings before interest, taxes, depreciation, and amortization. EBITDA is a non-IFRS measure, calculated by adding back the impacts of income tax, finance costs, depreciation and amortization to net income (loss) for the period. Income (loss) from Operations before amortization and depreciation is the most directly comparable IFRS financial measure. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other issuers. Management believes EBITDA is an important performance metric that measures recurring cash flows before changes in non-cash working capital.

**Adjusted EBITDA** is defined as EBITDA adjusted for certain non-operating, non-recurring and non-cash items. Adjusted EBITDA is used by management to evaluate the earnings and performance of the Company before consideration of capital, financing and tax structures. Net income (loss) is the most directly comparable IFRS financial measure. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other issuers. Prior period Adjusted EBITDA has been calculated and presented in accordance with the current period calculation and presentation.

Management believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure to enhance investors' understanding of the results generated by the Company's principal business activities prior to consideration of how those activities are financed, how the results are taxed, how the results are impacted by non-cash charges, and charges that are irregular in nature or not reflective of the Company's core operations. Management calculates these adjustments consistently from period to period. Adjusted EBITDA is used by management to determine the Company's ability to service debt and finance capital expenditures. Management believes that Adjusted EBITDA as a measure is indicative of how the fundamental business is performing.

| ($000) | For the Three months ended | | |
|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | $ Change |
| Net income (loss) | (1,986) | (223) | (1,763) |
| Income tax expense (recovery) | 43 | (423) | 466 |
| Depreciation and amortization | 1,274 | 1,266 | 8 |
| Finance costs | 590 | 261 | 329 |
| **EBITDA** | **(79)** | **881** | **(960)** |
| Share-based compensation | 1,225 | 708 | 517 |
| Unrealized gain on risk management contracts | - | (1,758) | 1,758 |
| Management fee | - | - | - |
| **Adjusted EBITDA** | **1,146** | **(169)** | **1,315** |

| ($000) | For the Nine months ended | | |
|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | $ Change |
| Net income (loss) | 6,356 | (4,237) | 10,593 |
| Income tax expense (recovery) | 1,966 | (1,027) | 2,993 |
| Depreciation and amortization | 3,806 | 4,186 | (380) |
| Finance costs | 1,820 | 610 | 1,210 |
| **EBITDA** | **13,948** | **(468)** | **14,416** |
| Share-based compensation | 3,806 | 1,754 | 2,052 |
| Unrealized gain on risk management contracts | (555) | (961) | 406 |
| Management fee | (6,745) | - | (6,745) |
| Gain on sale of interest in subsidiary | (10,142) | - | (10,142) |
| **Adjusted EBITDA** | **312** | **325** | **(13)** |

## SUMMARY OF QUARTERLY RESULTS

| ($000) | 30-Sep-23 | 30-Jun-23 | 31-Mar-23 | 31-Dec-22 |
|---|---|---|---|---|
| Revenue | 46,141 | 39,132 | 38,499 | 44,719 |
| Adjusted EBITDA | 1,146 | 248 | (1,082) | 550 |
| Net income (loss) | (1,986) | 3,853 | 4,492 | (5,124) |
| *Net income (loss) per share-Basic* | *(0.09)* | *0.19* | *0.21* | *(0.25)* |
| *Net income (loss) per share-Diluted* | *(0.09)* | *0.18* | *0.21* | *(0.25)* |
| | **30-Sep-22** | **30-Jun-22** | **31-Mar-22** | **31-Dec-21** |
| Revenue | 55,347 | 68,885 | 44,787 | 38,723 |
| Adjusted EBITDA | (169) | (712) | 1,206 | 1,418 |
| Net income (loss) | (223) | (3,485) | (529) | 2,965 |
| *Net income (loss) per share-Basic* | *(0.01)* | *(0.17)* | *(0.03)* | *0.15* |
| *Net income (loss) per share-Diluted* | *(0.01)* | *(0.17)* | *(0.03)* | *0.15* |

The variation of Adjusted EBITDA over the trailing eight quarters partially results from the seasonality of the business. The Canadian Water and Solids Treatment and Recycling business is reliant on the industry activity that peaks, due to location and weather, in the fall and winter. Summer break-up which begins in early spring and lasts until late summer results in decreased activity due to road bans and poor operating conditions. Therefore, results in the second and third quarters of the fiscal year are generally lower than those realized in the first and fourth quarters. Net income and Adjusted EBITDA for the first quarter of 2023 were abnormally high due to the gain on sale of the GreenGas Colorado subsidiary. Net income and Adjusted EBITDA for the second quarter of 2023 was abnormally high due to the one-time management fee earned in the quarter. Third quarter 2023 results have been more in line with expectations. In addition, an impairment loss resulted in an abnormally large net loss for the fourth quarter of 2022. General economic and industry conditions have not substantially changed from the prior quarter.

## LIQUIDITY AND CAPITAL RESOURCES

The Company expects to generate sufficient cash flows from operations, in the short term and long term, to meet all organic growth initiatives and maintenance capital expenditures in connection with the Water and Solids Treatment and Recycling facilities. Due to the Company's focus on maintaining efficient operations, the Company expects to generate free cash flow from operations, net of maintenance capital expenditures, on an annual basis.

As described in note 4 to the condensed consolidated interim financial statements, the Company has entered into a strategic partnering agreement with Amber Infrastructure. As part of this agreement, Amber Infrastructure acquired 50% of GreenGas Colorado (the "Transaction"). The proceeds from the Transaction were used to fund the remaining equity commitment required to complete construction and bring the project into commercial operation. A portion of these proceeds were also used to reduce the amount outstanding on the Company's corporate credit facility. During Q2 of 2023, the Company closed an equity private placement for net proceeds of approximately $9.8 million. These funds were used to further pay down the Company's corporate credit facility with the main use of proceeds earmarked to advance Future Energy Park. For the remainder of 2023 and until financial close of Future Energy Park and Iowa RNG, the Company anticipates spending approximately $2.5 million on Future Energy Park, and subject to final investment decision, an additional $1.8 million on Iowa RNG. This capital spend is fully funded through the combination of the Contingent Consideration from the Transaction with Amber discussed in note 4 to the condensed consolidated interim financial statements, cash flow from operations and available capacity on the Company's corporate credit facility. Prior to incurring material construction costs for Future Energy Park, Iowa RNG, and any additional growth opportunities identified above, GIP will need to secure adequate sources of financing that enables the Company to achieve its internal economic hurdles.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company's cash needs are met with cash generated by operations and financing provided by short-term borrowings and long-term debt. The Company considers its current level of working capital, including undrawn available credit facilities, to be sufficient to meet its needs, including to satisfy payments on debt. GIP is required to maintain certain financial covenants associated with its corporate credit facility, which includes maintaining a debt to tangible net worth of less than 3.00:1.00 and cash flow coverage ratio for GIP's main operating subsidiary ("GIP Opco") of greater than 1.25:1:00. GIP Opco represents the consolidated results of GIP's main operating subsidiaries that hold ownership in the Water and Solids Treatment business and GreenGas Colorado. As at September 30, 2023, GIP was in compliance with all debt covenants.

The Company manages its liquidity risk through the management of its capital structure and working capital, and monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash, cash equivalents and cash flow from operating activities are expected to be greater than anticipated near-term capital expenditures and the contractual maturities of the Company's financial liabilities.

| ($000) | For the Three months ended<br>September 30, 2023 | <br>September 30, 2022 | $ Change |
|---|---|---|---|
| Cash from (used in) operating activities | (1,639) | (2,580) | 941 |
| Cash (used in) investing activities | (5,674) | (15,030) | 9,356 |
| Cash from (used in) financing activities | 7,821 | 15,425 | (7,604) |
| Impact of foreign currency translation on cash | (4) | 260 | (264) |
| **Increase (decrease) in cash** | **504** | **(1,925)** | **2,429** |

| ($000) | For the Nine months ended<br>September 30, 2023 | <br>September 30, 2022 | $ Change |
|---|---|---|---|
| Cash from (used in) operating activities | 5,680 | (2,105) | 7,785 |
| Cash (used in) investing activities | (14,654) | (48,529) | 33,875 |
| Cash from (used in) financing activities | 7,477 | 47,893 | (40,416) |
| Impact of foreign currency translation on cash | 100 | 476 | (376) |
| **Increase (decrease) in cash** | **(1,397)** | **(2,265)** | **868** |

### Operating Activities

Cash from operating activities for the three and nine months ended September 30, 2023, increased by $0.9 million and $7.8 million, respectively. The significant increase for the nine month period was primarily a result of the management fee received by the Company from GreenGas Colorado of $6.7 million in Q2 2023, combined with changes in non-cash working capital period over period.

### Investing Activities

Cash used in investing activities for the three and nine months ended September 30, 2023, decreased by $9.4 million and $33.9 million, respectively, over the three and nine months ended September 30, 2022. The large reduction in the use of cash as compared to the same period in 2022 was due to the fact that in the first nine months of 2022, GreenGas Colorado was fully under construction and, as a subsidiary at the time, the project entity was consolidated in the Company's financial statements. The project was substantially complete in early 2023. In addition, as described in note 4 to the condensed consolidated interim financial statements, in February 2023, the Company has entered into a strategic partnering agreement with Amber Infrastructure whereby Amber acquired 50% of GreenGas Colorado. As a result of this transaction, GreenGas Colorado was no longer consolidated within the Company financial statements and is instead accounted for as an equity investment. In addition, the proceeds received from the sale of a 50% interest in GreenGas Colorado in Q1 2023 was mostly offset by the funds required to acquire the non-controlling interest in the project prior to the sale transaction. This decrease was partially offset by additional spending of $5.3 million and $14.0 million on Future Energy Park for the three and nine months ended September 30, 2023.

### Financing Activities

Cash from financing activities for the three and nine months ended September 30, 2023, decreased by $7.6 million and $40.4 million, respectively, over the three and nine months ended September 30, 2022. This decrease was primarily a result of the net drawings of funds from the Company's corporate credit facility and GreenGas Colorado's construction facility. For the three and nine months ended September 2023, the corporate credit facility had net draws of $7.8 million and $nil, respectively, compared to the same period for 2022 of $12.8 million and $21.9 million. The decrease in net draws 2023 was due to the $10 million equity raise in 2023, which was used to repay the Company's corporate credit facility, and the sale of an interest in GreenGas Colorado, the proceeds of which funded the remaining equity for GreenGas Colorado resulting in no additional draw on the corporate credit facility. For the three and nine months ended September 2023, GreenGas Colorado's construction facility was $nil, compared to the same period for 2022 of $4.6 million and $30.8 million, respectively. This decrease is due to the construction facility now being accounted for within the Investment in Joint Venture. Furthermore, these decreases were offset slightly by $1.8 million and $5.6 million in share repurchases for the three and nine month period ended September 30, 2022, respectively, as compared to $nil for the same periods of 2023.

| ($000) | September 30, 2023 | September 30, 2022 | $ Change |
|---|---|---|---|
| Current assets | 26,508 | 25,742 | 766 |
| Current liabilities | 33,225 | 29,856 | 3,369 |
| **Working capital surplus (deficit)** | **(6,717)** | **(4,114)** | **(2,603)** |

[1]The working capital above includes the current and demand portions of long-term debt of approximately $0.3 million at September 30, 2023 ($0.3 million as at September 30, 2022).

Despite the working capital deficit as at September 30, 2023, the Company has the ability to meet its obligations as they become due. $8.6 million of current liabilities relate to liabilities associated with Future Energy Park and Iowa RNG that only become due and payable upon Final Notice to Proceed ("FNTP"). FNTP will not occur until adequate financing is in place to fund construction of the project and settle these liabilities. These have been classified as current liabilities as the Company has assessed that financing will likely be secured and FNTP will occur within the next year. Excluding these liabilities, the Company has a working capital surplus of $1.9 million. As at September 30, 2023, there is an undrawn balance of approximately $3.3 million from the corporate credit facility as well as cash flow from operations to cover obligations. This combined with the adjusted working capital surplus provides $5.2 million available before cash flow from operations.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at September 30, 2023:

| | Total | < 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
|---|---|---|---|---|---|
| AP and accrued liabilities | 24,353 | 24,353 | - | - | - |
| Other current liabilities | 8,593 | 8,593 | - | - | - |
| Long-term debt | 26,497 | 56 | 26,441 | - | - |
| Other long-term liabilities | 1,974 | - | 1,974 | - | - |
| Lease obligations | 761 | 264 | 497 | - | - |
| **Total financial liabilities** | **62,178** | **33,266** | **28,912** | - | - |

### Capital Management and Resources

The Company's objectives when managing capital are to: (i) monitor forecasted and actual cash flows from operating, financing and investing activities; (ii) ensure the Company has the financial capacity to execute on its strategy to increase market share through organic growth or strategic acquisitions; (iii) maintain financial flexibility in order to meet its financial commitments and maintain the confidence of shareholders, creditors and the market; and (iv) optimize the use of capital to provide an appropriate return on investment to shareholders.

The Company's overall capital management strategy remained unchanged in 2023 compared to the prior year. The Company has established criteria for sound financial management and manages the capital structure based on current economic conditions, risk characteristics of underlying assets and planned capital and liquidity requirements. Total capitalization is maintained or adjusted by drawing on existing credit facilities, entering into strategic partnerships, issuing new debt and through the disposal of underperforming assets, when required. Management considers the Company's current assets less current liabilities, long-term debt and shareholders' equity as the components of capital to be managed.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's revenues come from a diverse customer base, which includes municipalities, governments, utilities, infrastructure, industrial, energy and mining industries in North America. The Company believes there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

The Company is primarily exposed to credit risk from customers. The maximum exposure to credit risk is equal to the carrying value of the accounts receivable and notes receivable. The Company's trade receivables are with customers in the industrial sector and are subject to industry credit risk. To reduce credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Additionally, the Company continuously reviews individual customer trade receivables taking into consideration payment history and aging of the trade receivables to monitor collectability. In accordance with IFRS 9 – Financial Instruments, the Company reviews impairment of its trade and accrued receivables at each reporting period and its allowance for expected future credit losses. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. Monitoring procedures are in place to ensure that follow up action is taken to recover overdue amounts. The Company reviews receivables on a regular basis to ensure that an adequate loss allowance is made. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers. The Company completes a detailed review of its historical credit losses as part of its impairment assessment.

## RELATED PARTY TRANSACTIONS

### Key Management Personnel Compensation

| ($000) | Three Months Ended September 2023 | 2022 | Nine Months Ended September 2023 | 2022 |
|---|---|---|---|---|
| Short-term compensation (1) | 289 | 269 | 2,079 | 807 |
| Share-based compensation (2) | - | - | 3,090 | 1,425 |
| | **289** | **269** | **5,169** | **2,232** |

*(1) Short-term compensation includes annual salaries, management bonuses and employee benefits provided to key management personnel as well as directors' fees.*

*(2) Based on the grant date fair value of the applicable awards. The fair value of options granted is estimated at the date of grant using a Black-Scholes Option- Pricing Model. The total share-based payment of options issued in 2023 and 2022 is based on a fair value of $5.11 and $3.30 per option, respectively and $9.15 and $7.05 per share unit, respectively.*

Key management personnel short-term compensation and share-based compensation were higher for the nine months ended September 30, 2023, relative to the same period in 2022 as a result of short-term bonus payments and the granting of new PSUs and stock options that both occurred in Q1 2023.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements in the current or prior periods.

## CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's annual financial statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Company's consolidated financial statements have been set out in Note 5 of the annual consolidated financial statements.

## CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the three and nine months ended September 30, 2023.

## OUTSTANDING SHARE DATA

On November 27, 2023, the Company had the following common shares, stock options and share units outstanding:

| | |
|---|---|
| Common shares | 21,300,005 |
| Stock options (vested and unvested) | 1,543,541 |
| Share units | 396,320 |
| | **23,239,866** |