Greenlane Renewables Inc.

Consolidated Financial Statements
For the years ended
December 31, 2021 and 2020

(Expressed in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Greenlane Renewables Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Greenlane Renewables Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- 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
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

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

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Revenue recognition – system sales contracts
 	
Refer to note 3 – Significant accounting policies, note 5 – Key sources of estimation uncertainty and note 22 – Segmented information to the consolidated financial statements.
 	
For the year ended December 31, 2021, the Company recognized revenue from system sales contracts of $52.1 million. For the Company's system sales contracts, control of goods or services transfers over time to the customer and revenue is recognized based on the extent of progress in each period towards completion of the performance obligation. As disclosed by management, the extent of progress towards completion is based on internal estimates of the proportion of work performed which is based on the relative weight of each phase and the timeline to complete each phase of a system sales contract. Due to the nature of the work required to be performed on each system sales contract in order to satisfy the performance obligation, management's estimation of the percentage of completion is complex and requires significant judgment. Management has disclosed that there are significant assumptions and factors that can affect the accuracy of the estimates of the percentage of completion, including but not limited to, the relative weight of each phase of a system sales contract and the estimated timelines to complete the relevant contract phase.
	Our approach to addressing the matter included the following procedures, among others:
	
	• Tested the effectiveness of controls relating to the revenue recognition process, including the control over the estimates of the percentage of completion of system sales contracts.
	• Tested how management determined the percentage of completion for a sample of ongoing system sales contracts, which included the following:
	  – Tested the underlying data, which included agreeing key contractual terms back to signed contracts, including amendments thereto.
	  – Evaluated the reasonableness of significant assumptions used by management, including the assessment of management's judgment about the relative weight of each phase of the contract and the estimated timelines to complete the relevant contract phase by:
	    ○ assessing the relative weight of each phase by considering the historical actual costs incurred on each phase of similar contracts;
	    ○ assessing the completion of contract phases by inspecting supporting documents, including confirmation of delivery of technical documentation or equipment;

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to significant auditor judgment and effort in performing procedures to evaluate the management estimates of the percentage of completion of system sales contracts, including the assessment of management's judgment about the relative weight of each phase of a system sales contract and the estimated timelines to complete the relevant contract phase	○ assessing the estimated timeline to complete the phases that are in progress to supporting documents, including communication of estimated timelines from subcontractors, as applicable; and ○ assessing the factors that could affect the accuracy of the estimates of the percentage of completion of system sales contracts, including inquiries with project managers. • Performed look-back procedures for a sample of system sales contracts completed during the year by comparing the originally estimated and actual timelines

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Company'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 Company’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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Craig McMillan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 10, 2022

Greenlane Renewables Inc.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	December 31, 2021 $	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents		31,471	16,442
Restricted cash	6	1,655	-
Accounts receivable	7	16,096	2,416
Inventory	8	785	1,624
Prepaid expenses and other receivables		1,242	1,125
Contract assets	13	9,837	2,518
		61,086	24,125
Deferred tax assets	23	111	-
Property and equipment	9	688	821
Intangible assets	10	6,496	7,821
Goodwill	11	10,405	10,405
		78,786	43,172
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	20,148	8,773
Contract liabilities	13	1,446	1,661
Lease liability, current portion	14	242	225
Warranty liability, current portion	15	102	121
Promissory note	16	-	5,957
		21,938	16,737
Lease liability, non-current portion	14	217	461
Warranty liability, non-current portion	15	150	106
		22,305	17,304
Shareholders' Equity			
Share capital	17	64,074	31,927
Contributed surplus		2,395	1,547
Accumulated other comprehensive income		179	111
Deficit		(10,167)	(7,717)
		56,481	25,868
		78,786	43,172

Nature of operations (Note 1)

Subsequent events (Notes 17 and 26)

Approved by the Board of Directors and authorized for issue on March 10, 2022

"Wade Nesmith" Director *"David Blaiklock"* Director

The accompanying notes are an integral part of these consolidated financial statements

Greenlane Renewables Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in thousands of Canadian dollars except number of shares and per share amounts)

	Notes	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Revenue	22	55,351	22,500
Cost of goods sold (excluding depreciation and amortization)	18	(41,215)	(16,075)
		14,136	6,425
Amortization (patents, trademarks and design)		(1,242)	(1,238)
Gross Profit		12,894	5,187
General and administration	19	(5,864)	(3,099)
Salaries and benefits		(7,776)	(5,027)
Depreciation and amortization		(329)	(288)
Share-based payments	17	(1,098)	(414)
Operating loss		(2,173)	(3,641)
Other income (expenses):			
Finance expense		(87)	(495)
Finance income		162	-
Other Income		207	1,777
Transaction costs related to business acquisition		(451)	-
Foreign exchange loss		(184)	(190)
Net loss before taxes		(2,526)	(2,549)
Income tax recovery, net	23	76	78
Net loss		(2,450)	(2,471)
Other comprehensive income (loss)			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation adjustment		68	(41)
Total comprehensive loss		(2,382)	(2,512)
Basic and diluted loss per share		(0.02)	(0.03)
Weighted average numbers of shares		143,851,178	92,833,394

The accompanying notes are an integral part of these consolidated financial statements

Greenlane Renewables Inc.

Consolidated Statement of Changes in Equity

(Expressed in thousands of Canadian dollars, except for number of common shares)

	Notes	Share capital (number of shares)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
			$	$	$	$	$
Balance, January 1, 2020		68,435,795	11,282	1,510	152	(5,246)	7,698
Share-based compensation expense	17	-	-	414	-	-	414
Warrants exercised	17	19,337,865	9,829	(909)	-	-	8,920
Options exercised	17	3,907,796	1,375	(371)	-	-	1,004
Shares/warrants issued		23,000,000	10,741	759	-	-	11,500
Agent options issued	17	-	-	235	-	-	235
Share issuance costs		-	(1,300)	(91)	-	-	(1,391)
Currency translation adjustment		-	-	-	(41)	-	(41)
Net loss for the year		-	-	-	-	(2,471)	(2,471)
Balance, December 31, 2020		114,681,456	31,927	1,547	111	(7,717)	25,868
Share-based compensation expense	17	-	-	1,098	-	-	1,098
Warrants exercised	17	22,214,553	7,824	(839)	-	-	6,985
Options exercised	17	1,145,316	681	(214)	-	-	467
Restricted Share Units exercised	17	62,666	26	(26)	-	-	-
Shares issued	17	12,190,000	26,452	-	-	-	26,452
Share issuance costs	17	-	(2,836)	-	-	-	(2,836)
Agent warrants issued		-	-	829	-	-	829
Currency translation adjustment		-	-	-	68	-	68
Net loss for the year		-	-	-	-	(2,450)	(2,450)
Balance, December 31, 2021		150,293,991	64,074	2,395	179	(10,167)	56,481

The accompanying notes are an integral part of these consolidated financial statements

Greenlane Renewables Inc.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Cash provided by (used in)		
Operating activities		
Net loss	(2,450)	(2,471)
Adjustments for non-cash items		
Unrealised foreign exchange loss	184	190
Depreciation and amortization	1,571	1,526
Finance expense	87	495
Income tax recovery, net	(76)	(78)
Share-based compensation	1,098	414
Other income	(207)	(1,777)
Finance income	(162)	-
	45	(1,701)
Other adjustments		
Changes in current assets	(12,961)	(2,941)
Changes in current liabilities	11,515	3,811
Changes in contract assets and liabilities	(7,534)	(1,161)
Changes in restricted cash	(1,655)	-
Interest received	153	-
Interest paid on leases	(39)	(53)
Cash used in operating activities	(10,476)	(2,045)
Investing activities		
Purchase of intangible assets	(30)	-
Purchase of property and equipment	(187)	(53)
Cash used in investing activities	(217)	(53)
Financing activities		
Proceeds from share issuance	26,452	11,500
Share issuance costs	(2,007)	(1,157)
Proceeds from options exercised	467	1,004
Proceeds from warrants exercised	7,133	8,772
Payments on promissory note	(6,041)	(3,614)
Lease payments	(282)	(234)
Cash generated by financing activities	25,722	16,271
Increase in cash and cash equivalents	15,029	14,173
Cash and cash equivalents – Beginning of year	16,442	2,269
Cash and cash equivalents – End of year	31,471	16,442

The accompanying notes are an integral part of these consolidated financial statements

1 Nature of operations

Greenlane Renewables Inc. ("Greenlane" or "the Company") was incorporated under the British Columbia Business Corporations Act on February 15, 2018. The Company's primary business is a provider of biogas upgrading systems. Its systems produce clean, renewable natural gas from organic-waste sources including landfills, wastewater treatment plants, dairy farms, and food waste, suitable for either injection into the natural gas grid or for direct use as vehicle fuel. The head office of the Company is located at 110 - 3605 Gilmore Way, Burnaby, BC, V5G 4X5 and its registered and records office is located at 1500 - 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

COVID-19 impact

In response to the global COVID-19 pandemic, many countries including Canada, imposed unprecedented restrictions to mitigate the spread of COVID-19 and its variants, including travel restrictions, closures of non-essential business, occupancy limits. These restrictions resulted in a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Company maintains an asset light model, outsourcing its equipment manufacturing. While the Company's supply chain was initially affected; all suppliers have since returned to work however more recently the Company has seen the effect of the global shipping delays and although the Company is working with customers and suppliers to manage some delays experienced there is a risk that it may not be able to complete on certain of its current biogas upgrading contracts within the anticipated timeframes. The Company continues to monitor the situation closely to plan and adjust accordingly.

At this time, given the continued uncertainty surrounding global supply chain challenges as a result of COVID-19, it is not possible to reliably estimate the full impact this will have on the Company's ability to complete its current biogas upgrading contracts within the anticipated timeframe, with the further result that the Company's recording of revenues from these contracts may be deferred to later fiscal reporting periods and profits may be impacted negatively.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company's significant accounting policies are described in note 3. Certain of the comparative period figures have been reclassified to conform with the current period's presentation.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 10, 2022.

3 Significant accounting policies

a) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

i) Subsidiaries:

The consolidated financial statements include the following wholly owned subsidiaries:

Name of the entity	Jurisdiction
Greenlane Biogas Global Limited	Canada
PT Biogas Holdings Limited	UK
Greenlane Biogas North America Limited	Canada
PT Biogas Technology Limited	UK
Greenlane Biogas Europe Limited	UK
Greenlane Biogas Europe B.V.	Netherlands
Greenlane Biogas Netherlands Holding B.V.	Netherlands
Greenlane Biogas Italy S.R.L	Italy
Greenlane Biogas UK Limited	UK
Greenlane Biogas US Corp	US

The Company also owns a non-controlling minority interest in a joint venture Greenlane Biogas Finance B.V. located in the Netherlands.

Intercompany transactions, balances and unrealized gains and losses on transactions are eliminated on consolidation.

ii) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognized at their fair value at the acquisition date except for certain assets and liabilities which are recognized and measured in accordance with the applicable IFRS guidance. Goodwill arising on acquisition is recognized as an asset and is measured as the fair value of consideration paid less the fair value of the net identifiable assets and liabilities recognized.

If the Company's interest in the fair value of the acquiree's net identifiable assets and liabilities exceeds the fair value of consideration paid, the excess is recognized immediately in the statement of operations as a bargain purchase. Transaction costs, other than those associated with the issuance of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

c) Foreign currency translation

i) Functional and presentation currency

The reporting currency selected for the presentation of these consolidated financial statements is the Canadian dollar.

The Company has determined that the functional currency of the Company is the Canadian dollar. The subsidiary companies have the following functional currencies: for Greenlane Biogas Global Limited and Greenlane Biogas North America Limited the Canadian dollar, for PT Biogas Holdings Limited ("PT Biogas"), PT Biogas Technology Limited and Greenlane Biogas UK Limited the British pound sterling, for Greenlane Biogas US Corp the US dollar, for Greenlane Biogas Europe Limited, Greenlane Biogas Europe B.V., Greenlane Biogas Netherlands Holding B.V., Greenlane Biogas Italy S.R.L. and Greenlane Biogas Finance B.V. the Euro.

The results of overseas subsidiary undertakings are translated at the monthly average exchange rate (being an approximation of the rate at the date of transactions throughout the period) and the statement of financial position of such undertakings is translated at the period-end exchange rates. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are charged/credited to other comprehensive income/(loss) and subsequently recognized in the accumulated other comprehensive income account in equity.

ii) Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognized in other comprehensive income the foreign exchange component of that gain or loss is also recognized in other comprehensive income/(loss).

d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are presented as cash and cash equivalents in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current assets in the statement of financial position.

e) Restricted cash

Restricted cash is comprised of cash that is held by a bank or insurance company as collateral for stand-by letters of credit and surety bonds issued by the Company. These balances are subject to collateral restrictions and are therefore, not available for general use by the Company.

f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations are discharged. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

a) Financial assets: classification and measurement

Financial assets are classified in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and

ii) those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. At present, the Company classifies all financial assets of principal and interest receivable as held at amortized cost. All other financial assets are measured at fair value through profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. The Company classifies its financial assets as amortized cost, for assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

b) *Financial liabilities*

A financial liability is classified as FVTPL if it is held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. At this time the Company has no financial liabilities classified as FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities and warranty liability are measured at amortized cost.

c) *Equity*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares are classified as equity. Transaction costs on the issue of shares are deducted from the share capital account arising on that issue.

g) Inventory

Inventory is measured at the lower of cost and net realizable value. Management estimates the net realizable value of inventory, taking into account the most reliable evidence available at each reporting date. The future realization of this inventory may be affected by development in future technology or other market-driven changes.

h) Property and equipment

Property and equipment (PE) is initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. PE is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized on a straight-line basis over a range of 3 to 10 years, depending on the asset class, to write down the cost to the estimated residual value of PE.

Residual value estimates and estimates of useful life are updated as required.

Gains or losses arising on the disposal of PE are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

i) Intangible assets

Intangible assets are recorded at cost, net of amortization and any provision for impairment.

Patents, trademarks and design intangible assets are being amortized over the useful life of 7 years and 10 months, being the remaining useful life of the patents since they were acquired on June 3, 2019. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists intangible assets are subject to impairment testing as described in "Impairment of assets" below.

Other intangible assets are amortised over the duration of the license.

j) Impairment of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units or CGUs). As a result, some assets are tested individually for impairment and some are tested at CGU level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for CGUs are charged first to reduce the carrying amount of any goodwill allocated to such CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

Goodwill arising from business combinations represents the future economic benefits that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Irrespective of any indication of impairment, the recoverable amount of the goodwill is tested annually for impairment and when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately and is not subsequently reversed if the recoverable amount increases.

k) Leases

Where the Company is a lessee, a right-of-use asset is initially recognized at the present value of all lease payments and any lease inducements over the length of the contract, discounted at an applied interest rate implicit in the lease. If the implicit rate cannot be determined, the Company's incremental borrowing rate is used. Direct costs incurred in negotiating and arranging a lease are included in the cost of the asset.

For leases of real estate the Company applies a practical expedient and does not separate lease components and non-lease components and accounts for these as a single lease component when they are inseparable from the contracts.

Right-of-use assets are depreciated on a straight-line basis over the lease term. Lease payments are apportioned between capital repayments and interest charge using the effective interest rate method to amortize the balance of the lease liability at a fixed rate. Lease assets and liabilities are remeasured when a change to the lease payments or terms arises.

l) Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material, provisions are discounted to their present values, using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset, however, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the probability of an outflow of resources is remote. From time to time the Company is subject to litigation proceedings. Until such time as management is in a position to make a determination as to the likelihood of such proceedings, no provision is made in the financial statements.

Under certain contractual arrangements, Greenlane provides a warranty in relation to some products sold, which could result in the future transfer of economic benefits from the Company. Management reviews the products for which a warranty is provided and assesses the amount of provision required to meet future potential liabilities. Warranty periods vary between products but are typically one or two years in duration.

m) Income taxes

(a) Income tax:

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

(b) Deferred tax:

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred 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 not recognized for:

- Temporary differences on the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- Temporary differences related to investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

n) Revenue recognition

Greenlane applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

(a) System Sales Contracts

Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognized over the period of the contract by reference to the stage of completion of each contract. Revenue is recognized over the period as the Company's performance does not create an asset with an alternative use to the entity and the entity has enforceable right to payment for performance completed to date. The stage of completion of a contract is determined by internal estimates, with reference to the proportion of work performed and timeline to complete each phase. Revenue is recognized in proportion to the total costs expected on the contract.

Prior to this recognition, stage receipts from customers are recorded in the statement of financial position as a contract liability.

If contract costs are expected to exceed contract revenue, the expected loss is recognized immediately in the statement of operations.

Contract revenue includes an assessment of the amounts agreed in the contract, plus or less any variations in contract work and claims to the extent that they are approved and can be measured reliably.

Once revenue has started to be recognized on an individual contract, the Company reports the position for each contract as either an asset or a liability. In instances where amounts recognized in revenue are in excess of amounts invoiced an asset is recognized. Similarly, a liability is recognized where billings to date exceed revenue recognized.

The carrying amount of system sales contracts and revenue recognized from system sales contracts reflect management's best estimate about each contract's outcome and stage of completion but are subject to estimation uncertainty.

(b) Aftercare Services and Spare Part Sales

The Company generates additional revenue from after-sales service and maintenance, and sale of spare parts. Aftercare services revenue is recognized on a straight-line basis over the term of the maintenance or service agreement. Spare parts sales revenue is recognized when the risks and rewards of ownership have transferred to the customers.

o) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the statement of operations using the effective interest method.

Finance costs are comprised of interest on borrowings and the interest charge related to leases.

p) General and administrative expenses

General and administrative expenses are recognized in profit or loss upon utilization of the service or as incurred.

q) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. In certain of the countries that the Company operates in, the Company also offers extended dental and health plans as well as matching group savings plans to employees and state plans. The cost of these plans is recorded when services are rendered by employees, which is generally at the same time the contributions are made.

r) Income (loss) per share

Basic income (loss) per share is computed by dividing income (loss) by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or contingent issuance would have a dilutive effect on income (loss) per share. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the period.

s) Share-based payments

The fair value of the share-based payment awards is determined at the date of grant using the Black-Scholes option pricing model or the share market price where applicable. The fair value of the award is charged to the statement of operations (unless the award is considered to be share issuance costs in which case the fair value of the award is recorded as a reduction to share capital) and credited to contributed surplus (within shareholders' equity on the statement of financial position) rateably over the vesting period, after adjusting for the number of awards that are expected to vest. Expenses recognized for forfeited awards are reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in the statement of operations. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of the modification, over the remainder of the vesting period.

t) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that are related to transactions with any of the Company's other operations, and for which discrete financial information is available. Segment operating results are reviewed regularly by the Company's Chief Operating Decision Maker, being the Company's Chief Executive Officer ("CEO"), to make decisions about resources allocated to the segment and to assess the segment's performance.

The Company has one operating segment for upgrader services, which is further broken down into two revenue streams, system sales and aftercare services.

u) Investments in associates and jointly controlled entities

Associates are those entities in which the Company has significant influence, but not control, over the financial operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the net income and equity movements of equity investments, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity investment, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has any obligation to make, or has made, payments on behalf of the investee.

v) Recent accounting pronouncements

There are a number of accounting standard amendments issued by the IASB which the Company has not yet adopted. None of the future amendments are expected to have a significant impact on the Company's accounting policies on adoption.

4 Critical judgements in applying accounting policies

The critical judgments that the Company’s management has made in the process of applying the Company’s accounting policies, apart from those involving estimations (note 5), that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

(a) Determination of cash generating units

In performing impairment assessments, assets that cannot be assessed individually are grouped together, in management's judgment, into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined that there is one CGU, the main product being system sales contracts which leads to the generation of aftercare sales.

(b) Determination of functional currency

The functional currency for each of the Company’s subsidiaries, joint ventures and investments in associates is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

5 Key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the following:

(a) Revenue recognition – system sales contracts

For the Company’s system sales contracts, control of goods or services transfers over time to the customer and revenue is recognized based on the extent of progress in each period towards completion of the performance obligation. The extent of progress towards completion is based on internal estimates, with reference to the proportion of work performed during each phase of a system sales contract. Due to the nature of the work required to be performed on each system sales contract in order to satisfy the performance obligation, management’s estimation of percentage of completion is complex and requires significant judgment. The significant assumptions and factors that can affect the accuracy of the estimate, include but are not limited to, the relative weight of each phase of the contract and the percentage of completion within each contract phase.

(tables in thousands of Canadian dollars, except per share amounts)

(b) Impairment of goodwill

In assessing impairment, management estimates the recoverable amounts of the cash-generating unit based on expected future cash flows and uses a weighted average cost of capital to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(c) Other areas of estimation

Other areas of estimation uncertainty include collectability of accounts receivable, valuation of inventory, the useful lives and recoverability of long-lived assets and the warranty provision.

There is also an estimation uncertainty relating to the COVID 19 pandemic, see note 1 for details on the current estimated impact. Actual results could differ from those estimates.

6 Restricted cash

The balance at December 31, 2021 includes a $1.6 million cashable term deposit held by the Toronto-Dominion Bank ("TD") as security for a letter of credit related to one customer, and $55,000 term deposit for the Company's credit cards. Subsequent to the year-ended December 31, 2021, the Company transferred a further $3.1 million to restricted cash (See Note 26).

7 Accounts receivable

	December 31, 2021 $	December 31, 2020 $
Receivables due within normal terms of payment	5,486	1,714
Past due receivables	10,647	740
	16,133	2,454
Allowance for expected credit losses	(37)	(38)
Accounts receivables, net of allowance for expected credit losses	16,096	2,416

The Company manages credit risk exposure by principally transacting with high-quality counterparties. As at December 31, 2021, the collection risks from the Company's outstanding accounts receivable were considered low, and the allowance for estimated credit losses was from one customer related to the age of receivable.

(tables in thousands of Canadian dollars, except per share amounts)

8 Inventory

	December 31, 2021 $	December 31, 2020 $
Spare parts	785	300
Upgrading equipment held-for-sale	-	1,324
	785	1,624

9 Property and equipment

	Machinery and Equipment $	Right-of-use Assets $	Total $
Cost			
Balance at January 1, 2020	180	903	1,083
Additions	53	109	162
Balance at December 31, 2020	233	1,012	1,245
Additions	187	-	187
Balance at December 31, 2021	420	1,012	1,432
Accumulated depreciation			
Balance at January 1, 2020	30	106	136
Depreciation	56	232	288
Balance at December 31, 2020	86	338	424
Depreciation	84	236	320
Balance at December 31, 2021	170	574	744
Net book value			
December 31, 2020	147	674	821
December 31, 2021	**250**	**438**	**688**

Property and equipment comprise office equipment such as IT and office furniture and site related equipment such as tools and gas measuring devices. Refer to note 14 for further details on the right-of-use assets.

(tables in thousands of Canadian dollars, except per share amounts)

10 Intangible assets

	Patents, trademarks and design $	Software and licenses $	Total $
Cost			
Balance at January 1, 2020	9,686	-	9,686
Foreign exchange movement	117	-	117
Balance at December 31, 2020	9,803	-	9,803
Additions	-	30	30
Foreign exchange movement	(141)	-	(141)
Balance at December 31, 2021	9,662	30	9,692
Accumulated amortization			
Balance at January 1, 2020	722	-	722
Amortization	1,238	-	1,238
Foreign exchange movement	22	-	22
Balance at December 31, 2020	1,982	-	1,982
Amortization	1,242	9	1,251
Foreign exchange movement	(37)	-	(37)
Balance at December 31, 2021	3,187	9	3,196
Net book value			
December 31, 2020	7,821	-	7,821
December 31, 2021	**6,475**	**21**	**6,496**

The Company's definite life intangible assets primarily represent the patents, trademarks, design and other intellectual property as a part of the acquisition of the biogas business in 2019 ("Acquisition"). At the time of recognition on Acquisition it was determined that the individual assets were not able to be separated and valued individually. Amortization is based on the useful life of the intangible assets which is identifiable.

11 Goodwill

Goodwill of $10.4 million arose from the Acquisition. Goodwill is allocated to CGUs at a level no greater than the operating segment and the recoverable amount is determined based on an assessment of the value of the applicable CGU. The recoverable amount of the biogas system sales division, which is considered to be the CGU, has been determined using a value in use calculation.

A discounted cash flow model is used to determine the value-in-use amount of the biogas system sales division CGU. As part of this annual goodwill impairment test, assumptions are made in relation to future sales of biogas systems and future operating and capital costs, based on industry growth forecasts and Company specific estimates. The most significant assumptions contained in the model are based on the 2022 forecast and an annual growth rate over the next five years for revenue and cost of sales of 20% and 10% for operating costs, with a terminal value calculated using a 2% growth rate.

(tables in thousands of Canadian dollars, except per share amounts)

The model uses a pre-tax weighted average cost of capital of 15.5%. At December 31, 2021, the calculated recoverable amount of the biogas system sales division CGU exceeded the carrying value of the CGU, and therefore no goodwill impairment charge has been recorded.

12 Accounts payable and accrued liabilities

	December 31, 2021 $	December 31, 2020 $
Accounts payable	633	670
Accrued liabilities	3,537	1,160
Accrued costs related to projects	15,962	6,929
Contract liabilities – aftercare services	16	14
	20,148	8,773

13 Contract balances

	Balance at January 1, 2021 $	Revenue Recognized $	Progress Billings $	Balance at December 31, 2021 $
Contract Assets	2,518	48,584	(41,265)	9,837
Contract Liabilities	(1,661)	3,469	(3,254)	(1,446)
	857	52,053	(44,519)	8,391

	Balance at January 1, 2020 $	Revenue Recognized $	Progress Billings $	Balance at December 31, 2020 $
Contract Assets	1,745	8,189	(7,416)	2,518
Contract Liabilities	(2,049)	11,389	(11,001)	(1,661)
	(304)	19,578	(18,417)	857

The Company receives payments from customers based on the stage of completion of a contract. Contract assets relate to the Company's conditional right to consideration for the completed performance under the contract. Accounts receivable are recognized when the right to consideration becomes unconditional. Contract liabilities relate to stage payments that are received in advance of performance under the contract.

(tables in thousands of Canadian dollars, except per share amounts)

The revenue recognized during the year and the contract balances at December 31, 2021 primarily relate to seventeen projects (seven projects as at December 31, 2020).

14 Lease liabilities

The Company recognizes right-of-use assets (note 9) and lease liabilities in relation to office leases of Greenlane's headquarters in Burnaby, British Columbia, and operations office in Sheffield, UK, and auto leases for the service team in the UK.

The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 7% at the time the lease was assumed or entered into.

	December 31, 2021 $	December 31, 2020 $
Balance, beginning of the year	686	824
Additions	-	93
Lease payments	(263)	(287)
Interest expenses	39	53
Foreign exchange movement	(3)	3
Balance, end of the year	459	686
Less: Current portion of lease liabilities	242	225
Non-current portion of lease liabilities	217	461

The lease payments for the remaining term are presented in the following table:

	Office lease in Canada $	Office lease in UK $	Auto leases in UK $	Total $
Year 1	190	46	29	265
Year 2	141	46	4	191
Year 3	-	34	-	34

15 Warranty liabilities

The Company provides a warranty following the sale of certain products. As a consequence, the Company has recorded a provision for future warranty claims. Warranty periods vary between products but are typically one to two years from completion of commissioning of the equipment. The provision is based on management's best estimate of future claims, taking account of historical experience and knowledge of the installations covered by the warranty. As the warranties expire within less than 24 months, no discounting has been assumed.

(tables in thousands of Canadian dollars, except per share amounts)

	December 31, 2021 $	December 31, 2020 $
Balance, beginning of the year	227	456
Additions in the period	153	273
Charges against provision	(15)	(221)
Provision expired	(112)	(284)
Foreign exchange	(1)	3
Balance, end of the year	252	227
Less: Current portion	102	121
Non-current portion	150	106

16 Promissory note

As part of the consideration for the Acquisition, the Company issued a promissory note in the amount of £6.1 million, denominated 50% in British pounds sterling and 50% in Canadian dollars. The Canadian dollar component was fixed at an amount of $5.3 million. The promissory note incurred interest at 7% per annum with an original maturity date of June 3, 2023.

In February 2020 the Company paid Pressure Technologies plc ("Pressure Technologies) $3.4 million principal and $0.2 million interest on the promissory note, with partial use of proceeds from an equity raise in February 2020. On July 2, 2020, the Company executed a framework agreement with Pressure Technologies (the "Framework Agreement"), under which the principal value of the promissory note was reduced by $1.8 million to $5.2 million following the disposition of Pressure Technologies entire equity interest in the Company issued to Pressure Technologies in connection with the Company's acquisition of PT Biogas in June 2019. In order to facilitate the transaction, Brad Douville (President, Chief Executive Officer and Director of the Company) and Creation Partners LLP (a partnership owned and controlled by certain Directors of the Company, collectively "the Parties"), as parties to the Framework Agreement, agreed to release Pressure Technologies from its obligations under certain agreements entered into with the Parties that required Pressure Technologies to place certain common shares and warrants in escrow pending repayment in full of the promissory note. In exchange Pressure Technologies agreed to complete the immediate transfer of common shares and warrants in escrow to the Parties from their free-trading and escrow positions. Under the Framework Agreement the maturity date of the remaining balance of the promissory note advanced from June 3, 2023 to June 30, 2021. On February 12, 2021, the promissory note was repaid early, in full, including interest and principal.

In accordance with IFRS 9 – Financial Instruments, the Company accounted for the transaction as an extinguishment of the original promissory note and a new promissory note was recorded to reflect the terms per the Framework Agreement, with a revised principal amount of $5.2 million. The Company recorded a gain of $1.8 million (net of transaction costs) in the statement of operations in 2020.

(tables in thousands of Canadian dollars, except per share amounts)

	Balance $
Balance, January 1, 2020	10,964
Repayments	(3,616)
Settlement of promissory note (Framework Agreement)	(7,046)
Issuance of new promissory note (Framework Agreement)	5,174
Interest accrual	465
Foreign exchange movement	16
Balance, December 31, 2020- new promissory note	5,957
Interest accrual	47
Foreign exchange movement	37
Repayments	(6,041)
Balance, December 31, 2021	-

17 Share capital

Common shares

At December 31, 2021, the Company had unlimited authorized common shares without par value and 150,293,991 common shares issued and outstanding (December 31, 2020 – 114,681,456).

On January 27, 2021, the Company completed an underwritten bought deal offering through the issuance of 12,190,000 common shares, at a price of $2.17 per share for gross proceeds of $26.5 million and incurred $2.0 million in cash expenses. The Company issued compensation warrants to the underwriters entitling them to purchase an aggregate of 731,400 common shares at an exercise price of $2.17 for a period of one year from closing. The fair value of the warrants issued (valued using the Black-Scholes pricing model, see below for list of assumptions) of $0.8 million has been included in share capital as part of the share issuance costs.

Grant date	**January 27, 2021**
Number of warrants granted	731,400
Fair value per warrant	$1.13
Risk-free rate	0.13%
Expected volatility	109%
Expected life in years	1
Expected dividend yield	-

During the year ended December 31, 2021, 1,145,316 options were exercised, and the fair value of $0.2 million was transferred from contributed surplus to share capital; 62,666 restricted share units (RSUs) were exercised, and the fair value of $0.03 million was transferred from contributed surplus to share capital; and 22,214,553 warrants were exercised, and the fair value of $0.8 million was transferred from contributed surplus to share capital.

(tables in thousands of Canadian dollars, except per share amounts)

Warrants outstanding

At December 31, 2021, the Company had 0.7 million warrants outstanding (December 31, 2020 – 22.4 million), as follows:

Warrant exercise price	**$0.26**	**$0.70**	**$2.17**	**Total**
Expiry	Jun 3, 2021	Feb 19, 2021	Jan 27, 2022	
Number of warrants, January 1, 2020	30,191,612	-	-	30,191,612
Granted	-	11,500,000	-	11,500,000
Exercised	(10,493,465)	(8,844,400)	-	(19,337,865)
Number of warrants, December 31, 2020	19,698,147	2,655,600	-	22,353,747
Granted	-	-	731,400	731,400
Exercised	(19,587,383)	(2,590,600)	(36,570)	(22,214,553)
Expired	(110,764)	(65,000)	-	(175,764)
Number of warrants, December 31, 2021	-	-	694,830	694,830
Proceeds from exercise, 2020	$2,728	6,192	-	$8,920
Proceeds from exercise, 2021	$5,093	$1,813	$79	$6,985

During the year ended December 31, 2021, a total of 22.2 million warrants were exercised for $7.0 million (December 31, 2020: 19.3 million warrants for $8.9 million). The fair value associated with the warrant exercises of $0.8 million was transferred from contributed surplus to share capital (December 31, 2020: $0.9 million). On expiry of the $0.70 warrants on February 19, 2021, and $0.26 warrants on June 3, 2021, 65,000 and 110,764 warrants, respectively, remained unexercised and were cancelled.

Subsequent to December 31, 2021, on January 27, 2022 the $2.17 warrants expired and 694,830 unexercised warrants were cancelled.

Omnibus Incentive Plan

The Company has in place a stock option plan ("Legacy Option Plan") and restricted share unit plan ("Legacy RSU Plan") which were adopted by the Company in 2018 and 2020 respectively. Following the Company's transition to the Toronto Stock Exchange ("TSX") in early 2021, the Company introduced a new Omnibus Incentive Plan (with shareholder approval received at the June 23, 2021 Annual General Meeting) under which the Company can award both stock options and RSUs following the policies, rules and regulations of the TSX.

The Omnibus Incentive Plan is a rolling plan where the Company is entitled to issue options and RSUs in respect of a maximum number of common shares equal to 10% of the issued and outstanding common shares, less the aggregate number of common shares issuable under the existing Legacy Option Plan and Legacy RSU Plan. At December 31, 2021 stock options and RSUs issued under both the legacy plans and new Omnibus Incentive Plan represented 4% of issued and outstanding common share capital.

(tables in thousands of Canadian dollars, except per share amounts)

All options granted under the Legacy Option Plan will continue to be governed by the Legacy Option Plan and all RSUs granted under the Legacy RSU Plan will continue to be governed by the Legacy RSU Plan. No further options or RSUs will be granted under the Legacy Option Plan or Legacy RSU Plan.

Stock options

A summary of the Company's stock options outstanding under both the Omnibus Incentive Plan and the Legacy Option Plan, including options granted to agents, is as follows:

	Number of options	Weighted average exercise price $
Balance, January 1, 2020	6,792,780	0.18
Granted	2,512,000	0.52
Exercised	(3,907,796)	0.26
Forfeited	(155,000)	0.26
Balance, December 31, 2020	5,241,984	0.27
Granted	1,147,470	1.74
Exercised	(1,145,316)	0.41
Forfeited	(175,001)	1.63
Balance, December 31, 2021	5,069,137	0.54

As at December 31, 2021, 3,202,666 options were exercisable (December 31, 2020 – 3,604,650).

The following table summarizes information about stock options outstanding as at December 31, 2021:

Exercise price	Number outstanding	Weighted average remaining life in years
$0.10	675,000	6.84
$0.20	2,488,000	2.42
$0.39	142,000	3.66
$0.50	686,667	3.40
$0.74	75,000	3.88
$1.66	105,500	4.87
$1.68	371,970	4.39
$1.72	455,000	4.63
$1.94	70,000	4.21

(tables in thousands of Canadian dollars, except per share amounts)

There were four option grants during the year. The value of the stock options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant date	**March 16, 2021**	**May 21, 2021**	**August 17, 2021**	**November 12, 2021**
Number of options granted	190,000	381,970	470,000	105,500
Exercise price	$1.94	$1.68	$1.72	$1.66
Fair value per option	$1.26	$1.07	$1.07	$1.00
Risk-free rate	0.21%	0.21%	0.27%	0.67%
Expected volatility	99.67%	97.05%	94.29%	91.21%
Expected life in years	3.5	3.5	3.5	3.5
Expected dividend yield	-	-	-	-

The Company recognized share-based compensation expense relating to stock options of $0.6 million during the year ended December 31, 2021 (December 31, 2020: $0.4 million, including $0.2 million relating to the agent options issued).

Subsequent to the year-end, 6,666 options were exercised for proceeds of $1,333 and 2,016,270 options were granted at an exercise price of $1.15.

Restricted Share Unit Plan

A summary of the Company’s RSUs outstanding under both the Legacy RSU Plan and the Omnibus Incentive Plan is as follows:

	Number of RSUs
Balance, January 1, 2020	-
Granted	960,038
Balance, January 1, 2021	960,038
Granted	348,420
Exercised	(62,666)
Balance, December 31, 2021	1,245,792

In January 2021, the Company granted 130,414 RSUs to non–executive directors with vesting after one year and a fair value of $0.3 million. In May 2021, the Company granted 218,006 RSUs to the management team with vesting over 3 years and a fair value of $0.4 million. The fair value per RSU was determined based on the Company’s share price on the grant date with no adjustments for dividend yield or other terms and conditions. The Company recognized share-based compensation expense of $0.5 million during the year ended December 31, 2021, related to RSUs (December 31, 2020: $0.2 million).

(tables in thousands of Canadian dollars, except per share amounts)

Subsequent to the year-end, 261,957 RSUs were granted to non-executive directors of the Company, vesting after one year, and 870,504 RSUs were granted to the management team and certain employees with vesting over 3 years.

18 Cost of goods sold (excluding depreciation and amortization)

The following is a breakdown of the Company's cost of goods sold (excluding depreciation and amortization) by nature of the expense:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Inventory	1,496	790
Materials	36,501	13,473
Labour and consultants	3,178	1,823
Warranty additions and releases	40	(11)
	41,215	16,075

19 General and administration

The following is a breakdown of the Company's general and administration expenses by the nature of the expense:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Professional fees	1,203	652
Research and development	758	85
Consulting fees	735	241
Insurance	651	576
Other	648	546
Public company expenses	635	50
Strategic initiatives	484	-
Investor relations	290	393
IT expenses	218	227
Travel and conference	134	218
Trade subscriptions	108	111
	5,864	3,099

(tables in thousands of Canadian dollars, except per share amounts)

20 Credit facilities

In 2020 the Company issued a performance bond for US$0.5 million through Atlantic Specialty Insurance Company ("ASIC"), partially guaranteed by Export Development Canada ("EDC") to one customer. The performance bond remained in effect throughout 2021. In 2021, a payment bond issued in 2020 for US$0.9 million, through ASIC to another customer, was cancelled.

In 2021, the Company issued a standby letter of credit for €0.8 million through TD to a customer, secured by a $1.6 million term deposit with TD.

Upon demand of either the performance bond or the letter of credit, the Company would be required to compensate ASIC, EDC or TD for any losses and expenses as applicable.

21 Related party transactions

Key management includes Directors, the CEO and the Chief Financial Officer (CFO), who have the authority and responsibility for the planning, directing and controlling the activities of the Company. The remuneration paid and payable to these key management personnel during the year ended December 31, 2021 and December 31, 2020 is outlined below:

	Year ended December 31, 2021 $	**Year ended December 31, 2020 $**
Non-executive Directors fees (excluding share-based compensation)	382	-
Salary and other short-term benefits	1,141	672
Share-based compensation	551	96
	2,074	768

In February 2021, the Company settled all amounts due to the former parent company of PT Biogas, relating to the acquisition of PT Biogas by the Company in June 2019, including the outstanding promissory note and accrued interest ($6.0 million, Note 16) and intercompany invoices ($0.4 million).

(tables in thousands of Canadian dollars, except per share amounts)

22 Segmented information

The Company has one operating segment, which is further broken down into two revenue streams, system sales and aftercare service and spare part sales:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
System sales	52,053	19,578
Aftercare services and spare part sales	3,298	2,922
	55,351	22,500

The Company operates in North America and Europe and generates revenue from various regions internationally, as shown below.

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
System sales revenue		
United States	44,615	15,538
Europe	3,146	-
Other	4,292	4,040
	52,053	19,578
Aftercare services revenue		
United States	129	181
Europe	1,901	2,356
Other	1,268	385
	3,298	2,922
Total revenue		
United States	44,744	15,719
Europe	5,047	2,356
Other	5,560	4,425
	55,351	22,500

(tables in thousands of Canadian dollars, except per share amounts)

At December 31, 2021 the location of Company assets was as follows:

	Canada $	Europe $	US $	Total $
Current assets	57,443	3,564	79	61,086
Property and equipment	495	193	-	688
Deferred tax assets	111		-	111
Goodwill	10,405	-	-	10,405
Intangible assets	20	6,476	-	6,496
	68,474	10,233	79	78,786

At December 31, 2020 the location of Company assets was as follows:

	Canada $	Europe $	US $	Total $
Current assets	23,004	1,117	4	24,125
Property and equipment	547	274	-	821
Goodwill	10,405	-	-	10,405
Intangible assets	-	7,821	-	7,821
	33,956	9,212	4	43,172

23 Income taxes

a) Income tax (expense) recovery

	December 31, 2021 $	December 31, 2020 $
Current tax expense		
Current period	(34)	-
Deferred tax (expense) / recovery		
Origination and reversal of temporary differences	228	414
Change in tax rates	59	(9)
Change in unrecognized deductible temporary differences	(177)	(327)
Total income tax recovery, net	76	78

(tables in thousands of Canadian dollars, except per share amounts)

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following.

	December 31, 2021 $	**December 31, 2020 $**
Loss before tax	(2,526)	(2,549)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	682	688
(Increase) / decrease resulting from:		
Non-taxable items	(300)	(143)
Change in unrecognized deductible temporary	(177)	(327)
Change in tax rates	59	(9)
Tax rate differences	(188)	(131)
Total income tax recovery, net	76	78

b) Recognized deferred tax assets and liabilities

	December 31, 2021 $	**December 31, 2020 $**
Deferred tax assets are attributable to the following:		
Loss carryforwards	161	205
Lease liability	117	38
Other	68	-
Deferred tax assets	346	243
Deferred tax assets set off against deferred tax liability	(235)	(243)
Net deferred tax assets	111	-
Deferred tax liabilities are attributable to the following:		
Intangibles	(98)	(85)
Property and equipment	(137)	(158)
Deferred tax liabilities	(235)	(243)
Deferred tax liabilities set off against deferred tax assets	235	243
Net deferred tax liabilities	-	-

(tables in thousands of Canadian dollars, except per share amounts)

c) Movement in deferred tax balances

	Balance at January 1, 2021	**Recognized in profit (loss)**	**Balance at December 31, 2021**
Loss carryforwards	205	(44)	161
Lease liability	38	79	117
Other	-	68	68
Intangibles	(85)	(13)	(98)
Property and equipment	(158)	21	(137)
Net deferred tax assets (liabilities)	-	111	111

d) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

	December 31, 2021 $	**December 31, 2020 $**
Deductible temporary differences	4,120	3,379
Tax losses	9,266	5,938
Unrecognized amount for deferred tax assets	13,386	9,317

The Company has Canadian loss carryforwards of $5.7 million (2020 - $4.9 million) which expire between 2038 and 2042; United Kingdom loss carryforwards of $3.2 million (2020 - $1.0 million) which carryforward indefinitely; US federal net operating loss carryforwards of $0.02 million (2020 - $nil) which carryforward indefinitely; and Netherlands loss carryforwards of $0.4 million (2020 - $nil) that may be carried forward for six years.

24 Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value.

The Company's financial assets and financial liabilities are measured and/or disclosed at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the year ended December 31, 2021.

(tables in thousands of Canadian dollars, except per share amounts)

At December 31, 2021 and December 31, 2020, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, other receivables, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.

a) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents and restricted cash with high credit quality financial institutions, and through the performance of credit checks for all new customers. The Company considers its credit risk with respect to accounts receivable to be limited to the value of the provision for allowance for expected credit losses which has been recognized.

b) Foreign exchange rate risk

The Company is exposed to financial risk related to fluctuations of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily the United States dollar ("US dollar"), UK pounds sterling ("GBP") and Euros. The Company believes that its results of operations, financial position and cash flows could be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its foreign currency obligations. The Company manages foreign exchange risk by maintaining US dollar, GBP and Euros cash on hand to fund its anticipated short-term foreign currency expenditures.

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk on its foreign currency denominated cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the promissory note (prior to the repayment in full in February 2021).

The carrying amounts of the Company's foreign currency denominated monetary financial assets and monetary financial liabilities, shown as values in the foreign currency, at the reporting date are as follows:

	Financial assets		**Financial liabilities**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
GBP	906	555	302	2,109
Euro	1,625	96	1,122	33
US dollar	6,706	5,199	164	7

(tables in thousands of Canadian dollars, except per share amounts)

Foreign currency sensitivity analysis

The Company's exposure to a 10% exchange rate movement, shown in Canadian dollars, on its foreign currency denominated financial assets and financial liabilities results in the following gains and losses:

	GBP	Euro	US
10% strengthening of the Canadian dollar (increase)/decrease the net loss	115	61	922
10% weakening of the Canadian dollar (increase)/decrease the net loss	(94)	(50)	(754)

The use of a 10% movement in exchange rates is considered appropriate given recent movements in exchange rates.

A substantial amount of the Company's sales and purchases are transacted in foreign currencies. The exposure to foreign exchange rates varies throughout the year depending on the volume and timing of transactions in foreign currencies.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2021 the Company has no interest bearing financial liabilities.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The Company's ability to do this relies on the Company maintaining sufficient cash in excess of anticipated needs and raising debt or equity financing in a timely manner.

The Company enters into contracts that give rise to commitments in the normal course of business for future minimum payments. The following table summarizes the remaining contractual maturities of its financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows:

	Payments due by period (as at December 31, 2021)				
	Less than one year $	1 – 3 years $	4 – 5 years $	After 5 years $	Total $
Accounts payable and other liabilities	20,148	-	-	-	20,148
Lease liabilities	242	217	-	-	459
Warranty liabilities	102	150	-	-	252
Contract liabilities	1,446	-	-	-	1,446
	21,938	367	-	-	22,305

25 Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to execute on its strategic objectives. The capital structure of the Company consists of cash and cash equivalents, restricted cash and equity comprising issued share capital and earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, balances its overall capital structure through new common share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the period ended December 31, 2020.

26 Subsequent events

In January 2022, the Company issued a further standby letter of credit to one customer for €0.8 million, secured by an additional $1.6 million term deposit with TD (see note 20 for details of the first letter of credit). In addition, in January 2022, the Company issued a performance bond for US$4.8 million through ASIC to a customer, partially secured by a cash deposit of US$1.2 million.

On February 1, 2022, the Company acquired 100% outstanding shares of Airdep S.R.L.("Airdep"), a provider of biogas desulfurization and air deodorization products based in Vicenza, Italy. Consideration for the acquisition of Airdep comprised of $8.0 million (€5.5 million) in cash paid on closing and $1.4 million (€1.0 million) in the Company's shares issuable in equal tranches over the following 4 quarters, with additional contingent earn-out consideration of up to $3.6 million (€2.5 million). The earn-out will be calculated based on future company financial performance, and if thresholds are met, become payable in early 2025 in cash, or a combination of cash and the Company shares, at the Company's option. The total maximum consideration for the acquisition is $13.0 million (€9.0 million). The initial purchase price accounting for the business combination is incomplete at this time due to the transaction only closing on February 1, 2022.

In February 2022, the Company entered into a new $12.5 million credit facility with TD secured by a guarantee from EDC to provide further guarantees and letters of credit to its customers for system supply contracts that require them.

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GREENLANE RENEWABLES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED – DECEMBER 31, 2021

TABLE OF CONTENTS

1. Introduction

This management's discussion and analysis ("MD&A") of Greenlane Renewables Inc. ("Greenlane" or the "Company") has been prepared by management as of March 10, 2022 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 and the related notes thereto. All figures are expressed in Canadian dollars (the presentation and functional currency of the Company's financial statements) and all tabular amounts are in $000s, except where otherwise indicated. The Company reports its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A refers to certain measures that are not standardized under IFRS, such as adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), gross margin (before amortization), sales pipeline and sales order backlog. These are specified financial measures used by Management to better manage the Company and to assist the Company's shareholders to evaluate the Company's performance, but do not have standardized meaning. To facilitate a better understanding of these measures presented by the Company, qualifications, definitions and reconciliations have been provided in section 20 "Alternative Performance Measures".

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company. Please refer to the cautionary note regarding the risks associated with "Forward-looking Statements" and "Risks and Uncertainties" at the back of this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form ("AIF") on file with the Canadian securities regulatory authorities. Additional information and disclosure relating to the Company including the AIF, can be found on the Company's website at www.greenlanerenewables.com and on the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of the MD&A.

Greenlane's common shares trade under the symbol "GRN" on the Toronto Stock Exchange ("TSX"). On February 17, 2021 the Company graduated from the TSX Venture Exchange ("TSXV") to the TSX.

The head office of the Company is located at 110-3605 Gilmore Way, Burnaby, B.C. V5G 4X5 and the registered and records office of the Company is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. Highlights

- **12 Month Results**: In the year ended December 31, 2021, the Company reported record revenues of $55.4 million, a net loss of $2.5 million and an Adjusted EBITDA of $1.1 million. Revenue in 2021 increased 146% over revenue reported in 2020 of $22.5 million.

- **Fourth Quarter Results:** In the fourth quarter of 2021, the Company reported record revenues of $17.1 million, net loss of $1.2 million and an Adjusted EBITDA of $0.3 million. Revenue increased 94% over revenue of $8.8 million reported in the fourth quarter of 2020.

- **$26.5 million Bought Deal:** In January 2021, the Company raised $26.5 million (gross) through a bought deal offering with the issuance of 12.2 million common shares.

- **Early Repayment of Outstanding Debt:** In February 2021, the remaining $6.0 million balance (including principal and interest) of the promissory note due to Pressure Technologies plc ("Pressure Technologies") as part of the acquisition of the biogas business in June 2019, was repaid in full using proceeds from warrant exercises.

- **Graduation to the TSX:** In February 2021, the Company commenced trading on the TSX and concurrently delisted from the TSXV.

- **Over $50 million in New System Sales Contracts Announced:** Signing of $50.6 million in new systems sales contracts were announced in 2021, with an additional $7.1 million announced year-to-date in 2022.

- **Acquisition of a Leading Italian Provider of Biogas Desulfurization and Air Deodorization Products:** In December 2021, the Company announced that it had entered into a definitive agreement to acquire Italian company Airdep S.R.L.("Airdep") to bring in-house an effective and proven technology to remove hydrogen sulfide from biogas for integration with Greenlane's portfolio of biogas upgrading systems and also to add an attractive line of products for sales into existing and new biogas projects globally, independent of full biogas upgrading systems. Airdep is based in Vicenza, Italy. The business acquisition was completed on February 1, 2022.

- **New Credit Facility:** In February 2022, the Company entered into a new $12.5 million credit facility with Toronto Dominion Bank ("TD") secured by a guarantee from Export Development Canada ("EDC") to provide guarantees and letters of credit to customers requiring them for system sales contracts without the need for cash security from the Company.

- **Sales Order Backlog and Sales Pipeline Growth**: As at December 31, 2021, the Company reported a sales order backlog of $50.1 million (including sales announced January 4, 2022 of $7.1 million), an increase of 9.6% from the $45.7 million reported as at December 31, 2020. Sales order backlog refers to the balance of unrecognized revenue from contracted projects, where such revenue is recognized over time as completion of projects progresses. The contracted projects originate from the Company's pipeline of prospective sales opportunities that may convert into contracts within approximately a rolling 24 month time horizon. As at December 31, 2021, the Company reported a sales pipeline value of over $850 million, versus $720 million as at December 31, 2020, which reflects both the net increase of more than $190 million in new opportunities and the movement of $57.7 million in signed contracts (including the sales announced on January 4, 2022 of $7.1 million) into the sales order backlog. The sales pipeline at December 31, 2021 is consistent with the sales pipeline as at September 30, 2021 of over $850 million, reflecting both the net increase of approximately $20.0 million in new opportunities and the movement of $19.2 million in signed contracts (including the sales announced on January 4, 2022 of $7.1 million) into the sales order backlog, in the quarter.

- **COVID-19 Pandemic, Natural Disaster and Global Supply Chain Challenges:** The ongoing COVID-19 pandemic, devastating flooding in British Columbia in November 2021 and global supply chain challenges have had a negative impact on Greenlane's ability to timely fulfil its contractual obligations in 2021, particularly in the fourth quarter. As a consequence, the Company has experienced some downward pressure on profits.

See section 4 'Overview for the year ended December 31, 2021 and subsequent events' below for further details.

3. Core Business

Greenlane is focused on cleaning up two of the largest and most difficult-to-decarbonize sectors of the global energy system: the natural gas grid and the transportation sector. Greenlane is a leading global provider of biogas upgrading systems that create clean, low-carbon and carbon negative renewable natural gas ("RNG"), suitable for injection into the natural gas grid and for direct use as vehicle fuel. The business, acquired by the Company in June 2019, markets and sells under the Greenlane Biogas™ brand, biogas upgrading systems designed to remove impurities and separate carbon dioxide from biomethane in the raw biogas created from organic waste at landfills, wastewater treatment plants, farms and food waste facilities. To the Company's knowledge, Greenlane is the only biogas upgrading company offering the three main technologies: water wash, pressure swing adsorption ("PSA"), and membrane separation. Greenlane's business has been built on over 30 years of industry experience, patented and proprietary technology, and over 135 biogas upgrading systems sold into 19 countries including some of the largest RNG production facilities in North America and Europe. The acquisition of Airdep extends the Company's product offerings to proprietary hydrogen sulfide treatment, a technology that Airdep has sold over 100 units.

4. Overview for the year ended December 31, 2021 and subsequent events

FINANCIAL DEVELOPMENTS:

i) $26.5 million Bought Deal:

On January 27, 2021, the Company completed a bought deal offering ("2021 Bought Deal Offering") through the issuance of 12,190,000 common shares, including 1,590,000 shares issued pursuant to the underwriters' full exercise of their over-allotment option, at a price of $2.17 for gross proceeds of $26.5 million ($24.5 million net). TD Securities Inc. acted as lead underwriter and sole bookrunner on behalf of itself and a syndicate of underwriters including Raymond James Ltd., Haywood Securities Inc., Canaccord Genuity Corp., Beacon Securities Limited, and Paradigm Capital Inc.. The Company paid the underwriters $1.6 million in fees and commission and issued 731,400 compensation warrants exercisable for one common share at a price of $2.17 for a period of one year following closing. The Company's stated use of the proceeds is for the development of and investments in new RNG projects, for strategic growth initiatives, and for general corporate purposes (including the Company's ongoing business initiatives) and working capital. See section 12 for updated information as to the use of proceeds.

ii) Early Repayment of Outstanding Debt with Warrant Exercise Proceeds:

In February 2021, the remaining $6.0 million balance (including principal and interest) of the promissory note due to Pressure Technologies as part of the acquisition of the biogas business in June 2019, was repaid in full. With the early repayment of the promissory note (due June 30, 2021) all liabilities to Pressure Technologies were eliminated. The capital for the promissory note repayment came from funds received from the exercise of the Company's $0.70 warrants that would have otherwise expired in February 2021.

iii) Exercise of Warrants in 2021 for Gross Proceeds of $7.0 million:

During the year, 22.2 million share purchase warrants were exercised for one common share of the Company per warrant resulting in the receipt of gross proceeds of $7.0 million. The exercises included 19.6

million warrants at an exercise price of $0.26 per share, 2.6 million warrants at an exercise price of $0.70 per share and 36,570 warrants at an exercise price of $2.17 per share.

During 2021 and in January 2022, all warrants outstanding have expired. All unexercised warrants were subsequently cancelled, specifically 65,000 $0.70 warrants (expired February 19, 2021); 110,764 $0.26 warrants (expired June 3, 2021); and 694,830 $2.17 warrants (expired January 27, 2022).

OPERATIONAL:

i) Over $50 million in New System Sales Contract Wins Announced in 2021:

- In February 2021, the Company announced that it signed two contracts, together worth $3.6 million (US$2.8 million).

    a) A contract for the supply of a new membrane separation biogas upgrading system for a project in the midwest United States ("US") upgrading biogas to RNG from dairy operations.

    b) A contract for a new PSA system for a project in Brazil. The Brazilian contract win marks the fifth contract for Greenlane in the country.

- In April 2021, the Company announced the signing of approximately $6.2 million in two new upgrading biogas upgrading system supply contracts.

    a) A contract with TICSA Colombia, an Engineering, Procurement, Construction ("EPC") subsidiary of Grupo EPM (a diverse utility company based in Medellin, Colombia), to supply a PSA system for the primary wastewater treatment facility servicing the metropolitan area of Medellin (San Fernando Wastewater Treatment Plant). This contract marks the 19th country that Greenlane has sold upgrading equipment into, and this project will be the first commercial scale biogas upgrading system deployed in Colombia, producing clean, low-carbon RNG for direct injection into the local natural gas grid. Engineering work commenced immediately with a notice to proceed on equipment fabrication now expected early in 2022 (previously expected in 2021).

    b) A contract for the supply of the Company's water wash biogas upgrading system in Spain.

- In May 2021, the Company signed a contract valued at approximately $9.8 million (US$8.1 million) for supply of equipment for a large landfill gas-to-RNG project located in the midwestern US. The Company will supply its two-stage PSA system to upgrade the landfill gas-to-pipeline specification RNG for direct injection into the local natural gas grid.

- In August 2021, the Company announced that it had signed 3 new contracts together worth $12.8 million (US$10.2 million). One of the contracts, a repeat order within eight months of the last one, involves the supply by the Company of its membrane separation biogas upgrading system for a project owned by an international energy company. The Company also signed two contracts for the supply of biogas upgrading systems, one each for separate RNG dairy farm projects in the States of Wisconsin and New York developed and owned by a proven leader in the waste-to-energy industry in the US. These two projects will each utilize the Company's PSA biogas upgrading system.

- In September 2021, the Company signed with Green Impact Partners, through its EPC contractor, a biogas upgrading system supply agreement for $6.1 million (US$4.8 million) for an RNG project in the

State of Colorado. Green Impact Partners' GreenGas Colorado Project consists of two dairy farms, broke ground in July 2021, and has an expected completion date in the second half of 2022. The project will utilize two of the Company's PSA upgrading systems, one for each of the two dairy farms in the project.

- In December 2021, the Company was awarded a $12.1 million contract with FortisBC Energy Inc. ("FortisBC") for the supply of a biogas upgrading system for a new project at the Vancouver landfill in British Columbia, Canada. The Company will supply its two-stage PSA system to upgrade the landfill gas to clean, low carbon RNG for direct injection into FortisBC's regional natural gas pipeline system.

Order fulfilment commenced immediately on all contracts (unless noted otherwise), which are expected to conclude within 9 to 18 months of date of contract signing.

ii) Over $7 million in New System Sales Contract Wins Announced Year-to-Date in 2022:

New contracts wins of $7.1 million:
On January 4, 2022**,** the company announced the signing of two new biogas upgrading system supply contracts valued in total at $7.1 million for separate RNG projects in the United States and Brazil. Order fulfillment by the Company for both projects commenced immediately.

a) A contract for the supply of a biogas upgrading system for a dairy farm RNG project in the State of Nebraska. Greenlane will supply its PSA system for upgrading biogas generated from anaerobic digestion of dairy cow manure into carbon negative RNG suitable for injection into the local pipeline network.

b) A contract for a landfill gas-to-RNG project in Brazil with one of the country's largest landfill operators, Orizon Valorizacao de Residuos ("Orizon"). Greenlane will supply its water wash system to upgrade the landfill gas to low carbon RNG.

iii) Advancement of Dairy Farm Project in California with Oil and Gas Supermajor:

In April 2021, the Company announced the advancement of the US$2.6 million contract ($3.3 million at then current exchange rates) that was part of the $21 million in contract wins for a dairy farm cluster in California originally announced in June 2020. The project, which involves an oil and gas supermajor, will use Greenlane PSA biogas upgrading systems to create RNG through the anaerobic digestion of the farm waste stream. The RNG will be supplied as fuel for the US transportation sector.

iv) Updated Timing of Previously Announced Contract in 2020:

In February 2020, the Company announced a US$5.3 million ($7.0 million at Canadian dollar value on announcement) biogas upgrading contract with Renewable Natural Gas Company of Ligonier, Pennsylvania ("RNGC"). Under the contract the Company was to supply three biogas upgrading systems using the Company's water wash technology, to be fulfilled in part from equipment held in inventory. Before fulfillment of the contract commenced, during the third quarter of 2021 the contract with RNGC was amended to reduce the scope of supply from three systems to one, and two of the systems using the equipment held in inventory were sold to another customer for US$3.0 million ($3.8 million). In the fourth quarter of 2021 the Company then signed a new contract for the sale of the third system using equipment held in inventory, with the same financial terms as the original contract with RNGC and the original contract with RNGC was cancelled.

Due to foreign exchange rate changes and the amended scope of the first new contract for two of the systems, the value of the combined contracts for all three systems is now US$4.8 million ($6.0 million) and the sales order backlog was reduced accordingly in the third quarter of 2021 by $1.0 million. Fulfilment under the two new contracts commenced immediately and are expected to be recognized in revenue within six to nine months from contract signing.

v) Updated Timing of Previously Announced Contract in 2019:

In December 2019, the Company entered into an $8.3 million biogas upgrading contract with a customer in California. Preliminary engineering work was completed on the California-based landfill project in 2020. Order fulfillment will begin immediately upon completion of permitting and approval of submittals by the customer, now expected in 2022 (previously late 2021).

CORPORATE DEVELOPMENT:

Acquisition of a Leading Italian Provider of Biogas Desulfurization and Air Deodorization Products: In December 2021, the Company announced that it had entered into a definitive agreement to acquire Italian company Airdep, a leading provider of biogas desulfurization and air deodorization products founded in 2011 and based in Vicenza, Italy. The acquisition was completed on February 1, 2022. The acquisition of Airdep brings in-house an effective and proven technology to remove hydrogen sulfide (H_2S) from biogas for integration with the Company's portfolio of biogas upgrading systems that produce low-carbon and carbon-negative RNG. It also adds an attractive line of products for sales into existing and new biogas projects globally, independent of the full biogas upgrading system. Over the last ten years since its founding, Airdep has deployed over 100 H_2S treatment systems that use a proprietary liquid reagent media for removal of H_2S in biogas. The liquid media is regenerated and recirculated within the process to minimize operating costs. The Airdep system offers lower capital and operating costs than competing methods, and is especially compelling for use in higher flow, higher H_2S concentration applications.

Through the acquisition, the Company expects to further strengthen its price competitiveness and margins by insourcing a technology that it would otherwise procure to integrate into its biogas upgrading systems. In addition, Greenlane can expand its scope of supply and increase its revenue in projects where customers would otherwise purchase the H_2S systems directly from others.

Total consideration for the acquisition comprised of $8.0 million (€5.5 million) in cash paid on closing and $1.4 million (€1.0 million) in Greenlane shares issuable in equal tranches over the following 4 quarters, with additional contingent earn-out consideration of up to $3.6 million (€2.5 million). The earn-out will be calculated, based on future company financial performance, and if thresholds are met, become payable in early 2025 in cash, or a combination of cash and Greenlane shares, at Greenlane's option. The total maximum consideration for the acquisition is $13.0 million (€9.0 million).

REGULATORY DEVELOPMENTS:

i) Graduation to the TSX:

In February 2021, the Company received final approval for the listing of its common shares and then listed warrants ($0.26) on the TSX. On February 17, 2021, under the current trading symbol of "GRN" (and "GRN.WT" for the warrants), the Company commenced trading on the TSX and its common shares and warrants were concurrently delisted from the TSXV. As referenced above under "Financial Developments", the unexercised $0.26 warrants expired on June 3, 2021.

ii) Omnibus Incentive Plan:

A new Omnibus Incentive Plan was approved by the shareholders at the Company's annual general meeting on June 23, 2021. Under this plan, the Company can award both stock options and restricted share units ("RSUs"), subject to compliance with the policies, rules and regulations of the TSX. The Omnibus Incentive Plan is a rolling plan where the Company is entitled to issue options and RSUs to a maximum number of common shares equal to 10% of the issued and outstanding common shares, less the aggregate number of common shares issuable under options granted under the legacy option plan and under RSUs granted under the legacy RSU plan.

iii) Filing of Base Shelf Prospectus:

In June 2021, the Company filed a short form base shelf prospectus (the "Shelf Prospectus") to provide the flexibility to make offerings of securities until July 2023, its effective period. The Shelf Prospectus replaces a prior base shelf prospectus which was filed in July 2019 and was fully used by February 2021. The Shelf Prospectus will enable offerings of common shares, warrants, subscription receipts, or units of the Company up to an aggregate offering price of $500,000,000 during the 25-month period that the Shelf Prospectus is effective. The Company filed the Shelf Prospectus with the objective of providing flexibility to raise capital going forward, to the extent appropriate as the Company executes its business plan and strategic initiatives. Greenlane does not have any immediate plans to offer securities under the Shelf Prospectus. The specific terms of any future offerings will be established in a prospectus supplement to the Shelf Prospectus.

5. Overview of the biogas upgrading business

Greenlane designs, develops, sells and services a range of biogas upgrading systems that produce clean, low-carbon and carbon-negative RNG from biogas generated by organic waste sources including, but not limited to, landfills, wastewater treatment plants, dairy farms, and food waste. Biogas is produced naturally from these sources when organic matter is broken down through anaerobic digestion and is a mixture of approximately 60% methane, 40% carbon dioxide plus traces of other contaminant gases. The RNG produced is suitable for either injection into the natural gas grid or for direct use as vehicle fuel.

Each Greenlane biogas upgrading system is customer specific and typically has a standard core upgrading product with optional additional equipment as necessary for the particular application. Greenlane's biogas upgrading system supply contract values typically range from $2 million to $8 million for single systems, depending on size and scope of supply, with larger capacities achieved by installing multiple systems in parallel driving multiples in contract value accordingly. Some projects are design, install and commission, while others are design and commission only and in addition, the Company may secure an ongoing maintenance contract. The mix of models, scope and geography of each project impacts the overall project revenue.

Due to the long history of Greenlane branded products and Greenlane's prominent market position, geographic reach of its sales force and multi-technology offerings, the Company has visibility into proposed biogas upgrading projects around the world. Greenlane maintains a pipeline of prospective projects that it updates regularly based on quote activity to ensure that it is reflective of active sales opportunities that can convert into orders within approximately a rolling 24-month time horizon ("Sales Pipeline", i.e. known sales opportunities). At December 31 2021, the Sales Pipeline was valued at over $850 million (December 31, 2020: $720 million). Not all of these potential projects will proceed or proceed within the expected timeframe and not all of the projects that do proceed will be awarded to Greenlane. Additions to the amount in the Sales Pipeline come from situations where the Company provides a quote on a prospective project and reductions in the Sales Pipeline arise when a prospective opportunity is lost to a competitor, does not proceed or is converted to Greenlane's active order book (sales order backlog).

The Company supplies biogas upgrading systems and maintenance services to a wide range of customers in the waste water, waste collection, agricultural, food waste, beverage, and pulp and paper industries. The Company manages the entire project life cycle from design and procurement through to on-site installation, commissioning and aftercare. The Company uses a capital light business model with fully outsourced manufacturing and components purchased through an extensive global supply chain.

Greenlane has several major competitors operating in the same geographical markets, many of which own, or have access to, similar biogas upgrading technology. As such, Greenlane strives to differentiate itself by showcasing its track record of supplying biogas upgrading systems worldwide, which is longer and more extensive than any of its key competitors, while also, to the Company's knowledge, being the only company to offer multiple biogas upgrading technologies (water wash, PSA and membrane separation), which allows it to offer its customers an unbiased selection of the optimal technology or combination of technologies to provide the best outcome for the unique requirements of each customer's project. Greenlane's multi-technology approach is particularly compelling as more and more serial project developers enter the market whose portfolio of projects will have different requirements and demand different technology solutions. Greenlane has positioned itself as the go-to partner to grow with these serial developers no matter the project size, feedstock or global location.

The market for Greenlane's products is expected to grow as an increasing number of corporations and individuals act on their sustainability targets and governments around the world enact and strengthen environmental policies designed to combat climate change by promoting clean, low carbon solutions and carbon-negative solutions to effectively divert increasing amounts of organic waste away from landfills and into a circular economy as the world's population continues to expand.

6. Deployment of Development Capital Opportunities

In addition to its core business of selling biogas upgrading systems, the Company intends to add new recurring revenues and profits by adding exposure to lucrative RNG off-take contracts and by deploying development capital.

Deployment of Development Capital
The Company intends to deploy specialized project development capital where it can assist developers in accelerating projects to the ready for construction phase, thereby securing additional system sales and services and earning an equity and/or profits interests in the resulting RNG project.

The Company's objective is to own a small portion of a large number of RNG projects by partnering with project developers and owners to add value, reduce risks and build scale. The Company is currently in discussions with a number of counterparties on the use of development capital.

Upgrading as a Service
In July 2020, the Company signed a joint venture agreement with SWEN Impact Fund for Transition ("SWEN") to enable Greenlane to offer potential customers the opportunity to replace the initial capital outlay for the biogas upgrading equipment, with a monthly fee. This concept has not had the uptake in the market that was expected in large part because it does not solve all of the developer's capital needs. The upgrading system represents only a portion of the total scope of supply for a biogas project, leaving the developer to secure financing for the digestor, other equipment, civil and installation.

7. Summary of Quarterly Results

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters.

The Company's results are not impacted by seasonality, however the operating results are significantly affected by the timing and delivery of new system sales contacts. Timing of system sales contract awards tends to be variable due to customer-related factors such as finalizing technical specifications and securing project funding, permits and RNG off-take and feedstock agreements.

Revenue and corresponding costs from executing system sales contracts are recognized using the stage of completion method. Under the stage of completion method, contract revenues and expenses are recognized by reference to the stage of completion of contract activity where the outcome of the contract can be measured reliably, otherwise revenue is recognized only to the extent of recoverable contract costs incurred. A typical system sales contract has five to eight payment milestones and a duration of nine to eighteen months, and therefore quarterly operating results can fluctuate significantly as a result of the timing of contract related work.

	Three Months Ended			
	December 31, 2021 $	**September 30, 2021 $**	**June 30, 2021 $**	**March 31, 2021 $**
Revenue	17,124	13,439	12,583	12,205
Gross Margin (excluding amortization)[1,2]	4,255	3,373	3,224	3,284
Net Income (Loss)	(1,195)	52	(1,077)	(230)
Earnings (Loss) per share attributable to owners of the Company (basic and diluted)	(0.01)	0.00	(0.01)	(0.00)
Adjusted EBITDA[2]	274	83	120	604

	Three Months Ended			
	December 31, 2020 $	**September 30, 2020 $**	**June 30, 2020 $**	**March 31, 2020 $**
Revenue	8,825	6,504	4,241	2,930
Gross Margin (excluding amortization)[1,2]	2,363	1,685	1,089	1,288
Net Income (Loss)	(1,181)	743	(940)	(1,093)
Earnings (Loss) per share attributable to owners of the Company (basic and diluted)	(0.02)	0.01	(0.01)	(0.01)
Adjusted EBITDA[2]	160	(360)	(671)	(830)

1. Revenue less cost of goods sold (excluding amortization)
2. Adjusted EBITDA and gross margin (excluding amortization) are non-IFRS measures, refer to section 20 Alternative Performance Measures for further information

8. Summary of Results

The Company's key financial results summarized below have been derived from the consolidated financial statements prepared in accordance with IFRS. The results of operations for the quarter and year ended December 31, 2021 and 2020 are as follows:

	Three months ended December 31, 2021	**Three months ended December 31, 2020**	**Year ended December 31, 2021**	**Year ended December 31, 2020**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Revenue	17,124	8,825	55,351	22,500
Cost of Sales (excluding depreciation and amortization)	(12,869)	(6,462)	(41,215)	(16,075)
Gross Margin (excluding amortization)	4,255	2,363	14,136	6,425
Gross Margin %[1]	25%	27%	26%	29%
Amortization	(306)	(302)	(1,242)	(1,238)
Gross profit	3,949	2,061	12,894	5,187
Operating expenses	(4,900)	(2,972)	(15,067)	(8,828)
Operating loss	(951)	(911)	(2,173)	(3,641)
Other income (expenses)	(320)	(348)	(353)	1,092
Loss before taxes	(1,271)	(1,259)	(2,526)	(2,549)
Income tax recovery, net	76	78	76	78
Net Loss	**(1,195)**	**(1,181)**	**(2,450)**	**(2,471)**
Loss per share attributable to owners of the Company (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.03)
Adjusted EBITDA	274	160	1,081	(1,701)
Total Assets	78,786	43,172	78,786	43,172
Total Current Liabilities	21,938	16,737	21,938	16,737
Total Long-term Liabilities	367	567	367	567
Total Equity	56,481	25,868	56,481	25,868

1. Here and elsewhere gross margin % excludes depreciation and amortization

9. Review of Results for the year ended December 31, 2021

The Company's operating loss for the year ended December 31, 2021 was $2.2 million compared to an operating loss for the year ended December 31, 2020 of $3.6 million.

The Company recorded a net loss of $2.5 million for the year ended December 31, 2021 ($2.5 million loss for the year ended December 31, 2020) reflecting operations for the period as well as other expenses of $0.4 million predominantly reflecting costs associated with the acquisition of Airdep (other income (expenses) in the comparative period of 2020 includes the $1.8 million gain on extinguishment of the promissory note).

The Company's Adjusted EBITDA for the year period ended December 31, 2021 was $1.1 million compared to a negative Adjusted EBITDA of $1.7 million for the comparative year ended December 31, 2020.

Revenue

During the year ended December 31, 2021, the Company recognized revenue of $55.4 million against $22.5 million for the comparative year of 2020.

	Year ended December 31, 2021	Year ended December 31, 2020
	$ 000's	**$ 000's**
System Sales	52,053	19,578
Aftercare services	3,298	2,922
Total revenue	**55,351**	**22,500**

System sales contract revenue in the period primarily reflects revenue from seventeen customer contracts, (seven customer contracts in 2020) recognized in accordance with stage of completion of projects. The revenue increase year on year originated from new contracts awarded during 2020 and 2021. In the period since January 1, 2021 the Company secured new system sales contracts with an aggregate value of $50.1 million and has begun recognizing revenue from the majority of these contracts in the year (no revenue has been recognized in 2021 from the FortisBC contract announced in late December 2021), leaving the Company with a sales order backlog as at December 31, 2021 of $50.1 million ($45.7 million at December 31, 2020). The sales order backlog includes the $7.1 million in new contract wins announced on January 4, 2022. The sales order backlog refers to revenue on sales contracts that will be recognized as completion of the project progresses. Contracts included in the sales order backlog are typically recognized over nine to eighteen months from when the contract is secured.

Many of Greenlane's systems customers commit to 'Aftercare services', a preventative maintenance contract for terms ranging from one to twenty years for a fixed annual fee and typically include technical support and remote monitoring.

Cost of sales (excluding amortization) and gross margin

The Company utilizes a capital-light, fully outsourced manufacturing model whereby it outsources fabrication of elements of its systems and purchases components globally from trusted supply chain partners who meet the Company's cost, quality and delivery requirements.

Cost of sales (excluding amortization) for the year ended December 31, 2021 was $41.2 million ($16.1 million for the year ended December 31, 2020), an increase from the prior year directly related to the increase in revenue. Gross margin was 26% for the year ended December 31, 2021 (29% for the year ended

December 31, 2020). Gross margin in the year was negatively impacted by several projects in the later stage of delivery with higher than planned labour costs, due in part to the Company's rapid scale up to deliver a larger number of more complex projects, in addition to increased costs for certain upgrading projects, predominantly shipping costs and supply chain disruptions. This reduction in gross margin was offset in part with higher than average gross margin contribution from other projects, most significantly from sales of certain units being fulfilled in part from equipment held in inventory.

Amortization of intellectual property was $1.2 million for the year ended December 31, 2021 and December 31, 2020. The intellectual property is amortized on a straight-line basis over the life of the patents of 7 years and 10 months.

Gross profit was $12.9 million for the year ended December 31, 2021 ($5.2 million for the year ended December 31, 2020).

Operating expenses

Operating expenses, which include salaries, depreciation, professional fees, research and development, share-based payments, strategic initiatives, and other corporate and office expenses, were $15.1 million for the year ended December 31, 2021 ($8.8 million for the year ended December 31, 2020).

Salaries accounted for $7.8 million of total operating expenses for the year ended December 31, 2021, up from the comparative period mainly due to new hires recruited to support the expanding business ($5.0 million for the year ended December 31, 2020). At December 31, 2021 the Company had eighty-two employees (December 31, 2020, forty-nine): sixty-six based in Canada, seven based in the UK, two based in France, one based in Germany and six based in the USA. In addition, share-based compensation of $1.1 million was recorded for the year ended December 31, 2021 ($0.4 million for the year ended December 31, 2020), relating to employee stock option awards (granted from 2019 to 2021) and restricted share unit grants (granted in 2020 and 2021).

The Company incurred general and administration expenses of $5.9 million for the year ended December 31, 2021 up from $3.1 million in the comparative period. The most significant costs increases are due to increased legal costs related in part to the new Omnibus Incentive Plan (approved by shareholders on June 23, 2021) and Shelf Prospectus, expenses related to process improvement activities and strategic initiatives and increased research and development costs primarily reflecting internal labour costs associated with ongoing initiatives to enhance product offerings.

Other income (expenses)

During the year ended December 31, 2021 the Company recognized other expenses of $0.4 million (income of $1.1 million during the year ended December 31, 2020) representing:

	Year ended December 31, 2021	**Year ended December 31, 2020**
	$ 000's	**$ 000's**
Finance expense	(87)	(495)
Finance income	162	-
Other income	207	1,777
Transaction costs	(451)	-
Foreign exchange loss	(184)	(190)
Total other income (expenses)	**(353)**	**1,092**

Finance expense
The Company reported $0.1 million in finance expense for the year ended December 31, 2021 ($0.5 million for the year ended December 31, 2020), predominantly reflecting the interest on the promissory note with Pressure Technologies. The reduction in interest expense period on period is due to the repayment of the promissory note, in full, totaling $6.0 million including principal and interest, in February 2021.

Finance income
The Company held $21.2 million in three term deposits as at December 21, 2021, with a $1.6 million term deposit held as security for a letter of credit issued by TD. The finance income of $0.2 million was predominantly interest earned and accrued on the three term deposits for the year ended December 31, 2021.

Other income
In February 2021, all amounts due to Pressure Technologies were repaid in full. This included (in addition to repayment of the promissory note) settlement of the intercompany invoices issued prior to the acquisition of the biogas business in June 2019. Settlement of all amounts due to Pressure Technologies resulted in a gain of $0.2 million in the period.

In the comparative year ended December 31, 2020 the Company recorded a gain of $1.8 million related to the reduction in the promissory note with Pressure Technologies as a result of a framework agreement ("Framework Agreement") dated July 2, 2020 between the Company, Pressure Technologies, Creation Partners LLP (a partnership owned and controlled by certain directors of the Company) and Brad Douville (President, Chief Executive Officer and a director of Greenlane). In accordance with IFRS 9 – Financial Instruments, the Company accounted for the transaction as an extinguishment of the original promissory note and a new promissory note was recorded to reflect the terms per the Framework Agreement, with a revised principal amount of $5.2 million.

Transaction Costs
In December 2021, the Company announced that it has entered into a definitive agreement to acquire Airdep. For the year ended December 31, 2021, the Company had incurred $0.5 million in transaction costs related to the acquisition, primarily relating to legal, accounting and tax consultants.

Foreign exchange loss
The Company recorded foreign exchange losses of $0.2 million for the year ended December 31, 2021 ($0.2 million loss for the year ended December 31, 2020), primarily due to the movements in the Canadian dollar against the US dollar on the Company's US dollar bank accounts.

10. Review of Results for the three months ended December 31, 2021

The Company's operating loss for the three months ended December 31, 2021 was $1.0 million, consistent with the $0.9 million loss for the three months ended December 31, 2020.

The Company recorded a net loss of $1.2 million for the three months ended December 31, 2021 ($1.2 million loss for the comparative period), reflecting operations for the period as well as recognition of other expenses of $0.3 million predominantly reflecting costs associated with the acquisition of Airdep (other income (expenses) in the comparative period of 2020 includes a $0.3 million foreign exchange loss).

The Company's Adjusted EBITDA was $0.3 million for the three months ended December 31, 2021 ($0.2 million for the three months ended December 31, 2020).

Revenue

During the three months ended December 31, 2021, the Company recognized revenue of $17.1 million against $8.8 million in the comparative quarter of 2020.

	Three months ended December 31, 2021 $ 000's	Three months ended December 31, 2020 $ 000's
System Sales	15,972	7,970
Aftercare services	1,152	855
Total revenue	**17,124**	**8,825**

System sales contract revenue in the quarter primarily reflects revenue from ten customer contracts, recognized in accordance with stage of completion of projects (three months ended December 31, 2020 five customer contracts).

Cost of sales (excluding amortization) and gross profit

Cost of sales (excluding amortization) for the three months ended December 31, 2021 was $12.9 million (three months ended December 31, 2020: $6.5 million), an increase from the prior year directly related to the increase in revenue. Gross margin was 25% for the three months ended December 31, 2021 (three months ended December 31, 2020: 27%). The gross margin in the three month period was impacted by increased costs for certain upgrading projects, predominantly shipping costs and supply chain disruptions, offset in part with higher than average gross margin contribution from other projects, most significantly from sales of certain units being fulfilled in part from equipment held in inventory.

Amortization of intellectual property was $0.3 million for the three months ended December 31, 2021 and December 31, 2020. The intellectual property is amortized on a straight-line basis over the life of the patents of 7 years and 10 months.

Gross profit was $3.9 million for the three months ended December 31, 2021 ($2.1 million for the three months ended December 31, 2020).

Operating expenses

Operating expenses were $4.9 million for the three months ended December 31, 2021 (three months ended December 31, 2020: $3.0 million). The increases year on year are predominantly due to the business growth.

Salaries accounted for $2.3 million of total operating expenses for the three months ended December 31, 2021, up from the comparative period mainly due to new hires recruited to support the expanding business (three months ended December 31, 2020: $1.8 million). In addition, share-based compensation of $0.3 million was recorded for the three months ended December 31, 2021 (three months ended December 31, 2020: $0.2 million), relating to employee stock option awards (granted from 2019 to 2021) and restricted share unit grants (granted in 2020 and 2021).

The Company incurred general and administration expenses of $2.6 million for the three months ended December 31, 2021 up from $0.9 million in the three months ended December 31, 2020, primarily due to increased costs associated with strategic initiatives, research and development (primarily reflecting internal labour costs associated with ongoing initiatives to enhance product offerings) and an increase in insurance premiums seen in the fourth quarter of 2021.

Other income (expenses)
During the three months ended December 31, 2021 the Company recognized other expenses of $0.3 million (other expenses of $0.3 million during the three months ended December 31, 2020) representing:

	Three months ended December 31, 2021	**Three months ended December 31, 2020**
	$ 000's	**$ 000's**
Finance expense	(10)	(100)
Finance income	162	-
Transaction costs	(451)	-
Foreign exchange loss	(21)	(248)
Total other income (expenses)	**(320)**	**(348)**

Finance expense
The Company reported $0.01 million in finance expense in the three months ended December 31, 2021 ($0.1 million for three months ended December 31, 2020). The reduction in interest expense quarter on quarter is due to the repayment to Pressure Technologies of the promissory note, in full totaling $6.0 million including principal and interest, in February 2021.

Finance income
The Company held $21.2 million in three term deposits as at December 21, 2021, with a $1.6 million term deposit held as security for a letter of credit issued by TD. The finance income of $0.2 million is predominantly interest earned and accrued on the three term deposits for the quarter ended December 31, 2021.

Transaction costs
In December 2021, the Company announced that it has entered into a definitive agreement to acquire Airdep. In the three month period ended December 31, 2021 the Company had incurred $0.5 million in transaction costs related to the acquisition, primarily relating to legal, accounting and tax consultants.

Foreign exchange loss
The Company recorded foreign exchange losses of $0.02 million for the three months ended December 31, 2021 against $0.2 million loss for the comparative quarter primarily due to movements in the Canadian dollar against the US dollar on the Company's US dollar bank account.

11. Liquidity and Capital Resources

At December 31, 2021, the Company had cash and cash equivalents of $31.5 million (December 31, 2020: $16.4 million). The increase in cash primarily reflects $24.5 million net proceeds from the 2021 Bought Deal Offering, $7.6 million proceeds from options and warrants exercised during the year, offset in part by the $6.0 million repayment of the promissory note and net cash outflows from operating activities of $10.5 million (cash outflows from operating activities of $2.0 million for year ended December 31, 2020).

Cash and cash equivalents consist of cash and call deposits that are redeemable prior to maturity on demand and without economic penalty to the Company. The Company's exposure to credit risk on its cash and call deposits is limited by maintaining all cash and call deposits with major banks with high credit ratings.

At December 31, 2021 the Company had $1.7 million recorded as restricted cash (December 31, 2020: $nil), reflecting amounts held in a cashable term deposit with TD as collateral for a letter of credit to one customer and for the Company's credit cards. Funds are expected to be released in early 2022 following delivery of equipment to site and commissioning of the equipment. Subsequent to December 31, 2021, the Company restricted a further $3.1 million cash as security for a performance bond and additional standby letter of credit. See note 15 "Off Balance-sheet Arrangements" below for further details.

Working capital is defined as current assets minus current liabilities. Readers are cautioned that differences in businesses and the timing of transactions, amongst other things, may not make working capital balances directly comparable between companies. At December 31, 2021, the Company had a consolidated working capital, including cash, of $39.1 million (December 31, 2020: $7.4 million). Fluctuations in cash and cash equivalents (outside of an equity raise), accounts receivable and accounts payable are primarily driven by the phasing of upgrader projects. The Company aims to ensure that projects are generally in a cash flow positive position (i.e. billings to customers are collected in advance of payments to suppliers), although the operating cash flow for the year ended December 31, 2021 was negative, mainly due to the timing of collections from certain customers (the majority of the cash has been received from customers subsequent to December 31, 2021). The Company has no significant commitments for capital expenditures, however the Company did complete the acquisition of Airdep on February 1, 2022 for a cash payment of $8.0 million (€5.5 million).

Management believes that its working capital and liquidity strategies are sufficient to fund non-discretionary expenditures over the near term.

Debt

At December 31, 2021, the Company had no debt, other than payables resulting from normal course operations and off balance-sheet arrangements discussed below. The promissory note issued to Pressure Technologies that was due to mature on June 30, 2021 was repaid in full in February 2021, including principal and interest and all amounts owing to Pressure Technologies have been eliminated. The capital for the promissory note repayment came from funds received from the exercise of warrants in 2020.

Contractual obligations

The Company has contractual obligations as at December 31, 2021 of $22.3 million:

	Due within one year $ 000's	Due between one and five years $ 000's	Due after five years $ 000's	Total $ 000's
Accounts payable and accrued liabilities	20,148	-	-	20,148
Lease liabilities	242	217	-	459
Warranty liabilities	102	150		252
Contract liabilities	1,446	-	-	1,446
Total	**21,938**	**367**	**-**	**22,305**

The Company intends to fund these contractual obligations predominantly through collection of outstanding receivables and realization of contract assets.

12. Use of Proceeds from 2021 and 2020 Offering

2021 Bought Deal Offering
On January 27, 2021, the Company completed the 2021 Bought Deal Offering through the issuance of 12,190,000 common shares, including 1,590,000 shares issued pursuant to the underwriters' full exercise of their over-allotment option, at a price of $2.17 per share for gross proceeds of $26.5 million ($24.5 million net). The Company's Prospectus (non-pricing) Supplement, dated January 21, 2021, contained certain disclosure in respect of the Company's intended use of the proceeds from the equity financings as of such date. As disclosed in that document, the Company expects to use the proceeds for development of and investments in new RNG projects, for strategic growth initiatives, and for general corporate purposes (including the Company's ongoing business initiatives) and working capital. There have been no changes to the Company's planned use of proceeds at this time.

A summary of the actual use of proceeds from January 27, 2021 to December 31, 2021 against the disclosed anticipated uses is set forth in the table below.

Use of Proceeds	Total Planned Spend $	Total Spend to December 31, 2021 $
Development of and investment in new RNG projects	8,000	209
Strategic growth initiatives (including pursuing attractive acquisition opportunities as the industry consolidates, adding system capabilities for hydrogen production as markets develop and strategic alliances to expand the Company's upgrading technology solutions)	8,000	724
General corporate purposes and working capital	8,500	6,922
Total	**24,500***	**7,855**

*actual net proceeds received were $24,455,958

On February 1, 2022 the Company completed the acquisition of Airdep for a cash payment of $8.0 million (€5.5 million) utilizing all remaining funds allocated to strategic growth initiatives as well as $0.7 million allocated to general corporate purposes and working capital (additional amounts to fund any future earn-out payment are expected to come from free cash).

The Company is working on the deployment of development capital, see Section 6 "Development Opportunities" above for further details.

There are no variances from the planned spend noted in the table above.

February 2020 Public Offering
On February 19, 2020, the Company closed an underwritten public offering through the issuance of 23,000,000 units (each unit was comprised of one common share and one-half of one common share warrant), including 3,000,000 units issued pursuant to the underwriters' full exercise of their over-allotment option, at a price of $0.50 per unit for gross proceeds of $11.5 million ($10.3 million net). The Company's Prospectus (non-pricing) Supplement ("2020 Prospectus"), dated February 12, 2020, contained certain disclosure in respect of the Company's intended use of the proceeds from the equity financings as of such date. As disclosed in that document, the Company planned to use the net proceeds on a partial

payment to Pressure Technologies against the outstanding promissory note, investments in the Company's "develop, build, own and operate" business model and for general corporate purposes and working capital.

A summary of the actual use of proceeds from February 19, 2020 to December 31, 2021 against the disclosed anticipated uses is set forth in the table below.

Use of Proceeds	**Total Planned Spend** **$**	**Total Spend to December 31, 2021** **$**
Investments by the Company in its develop, build, own and operate business model	3,500	63
Payment to Pressure Technologies against promissory note	3,500	3,614
General corporate purposes and working capital	3,400	3,400
Total	**10,400[1]**	**7,077**

1. Actual net proceeds received were $10,342,875

The variance of $0.1 million in the payment against the promissory note is a result of the requirement to repay accrued interest ($0.2 million) on the principal repaid, offset in part by a foreign exchange gain ($0.1 million) in principal repayment. This had not been included in the planned spend because the requirement to repay accrued interest was unconfirmed at that time, as disclosed in the 2020 Prospectus.

The deployment of funds for the Company's "develop, build, own and operate" business model was to be used toward the joint venture with SWEN, however with uptake in the market slower than expected for the upgrading-as-a-service offer, the Company expects to redirect these funds to the deployment of development capital (see Section 6 "Development Opportunities" above). Any material variance in the use of proceeds will be subsequently disclosed.

13. Industry Outlook

The biogas upgrading market is anticipated to grow, driven by increasing demand for RNG caused primarily by a universal desire to combat climate change by reducing greenhouse gas emissions supported by government mandates and demand from businesses, utilities, organizations and individuals for use of RNG as a transportation fuel and to replace fossil natural gas in the pipeline distribution network. As a global leader in the biogas upgrading business, Greenlane expects to benefit from this trend.

The Company plans to continue to scale up its operations as it continues to win a greater number of new upgrader projects, search out consolidation opportunities in the highly-fragmented biogas upgrading industry and expand Greenlane's business beyond equipment sales to also include recurring revenue and profits from RNG projects through deployment of development capital (refer to section 6 above for further details). Following the completion of the 2021 Bought Deal Offering and earlier February 2020 Public Offering, the Company has raised funds to support these growth initiatives, see section 12 above for details of the intended use of proceeds from the two capital raises.

14. Related Party Transactions

Key management includes Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), who have the authority and responsibility for the planning, directing and controlling the activities of the Company. The remuneration paid and payable to these key management personnel during the year ended December 31, 2021 and 2020 is outlined below:

	Year ended December 31, 2021 $ 000's	**Year ended December 31, 2020 $ 000's**
Non-executive Director fees (excluding share-based compensation)	382	-
Salary and other short-term benefits	1,141	672
Share-based compensation	551	96
Total	**2,074**	**768**

During the year ended December 31, 2021 the amount owing to Pressure Technologies, including $0.4 million relating to intercompany invoices issued prior to the qualifying transaction in June 2019 and $6.0 million for the promissory note were fully repaid (see section 11 'Debt' above for details of the repayment of the promissory note).

15. Off Balance-sheet Arrangements

In 2020 the Company issued a performance bond for US$0.5 million through Atlantic Specialty Insurance Company ("ASIC"), partially guaranteed by EDC to one customer. The performance bond remained in effect throughout 2021. During the year, a payment bond issued in 2020 for US$0.9 million, through ASIC to another customer, was cancelled.

In July 2021, the Company issued a standby letter of credit for €0.8 million through TD related to an advance payment guarantee with one customer. The guarantee is secured by a $1.6 million term deposit with TD. In January 2022 a further standby letter of credit for €0.8 million was issued to this customer, secured by a further $1.6 million term deposit with TD. The two guarantees have different cancellation conditions, with one due to be cancelled and funds returned to Greenlane following delivery of equipment to site (expected in early 2022) and the second following completion of commissioning of the equipment (expected in 2022).

In January 2022, the Company issued a performance bond for US$4.8 million through ASIC, partially secured by a cash deposit of US$1.2 million, to another customer.

In February 2022, the Company entered into a new $12.5 million credit facility with TD secured by a guarantee from EDC to provide further guarantees and letters of credit to its customers for system supply contracts that require them. Under the new facility, letters of credit are anticipated to be issued up to a maximum of $8.5 million to meet current contractual obligations.

Upon demand of either the performance bonds or standby letters of credit, the Company would be required to compensate ASIC, EDC or TD for any losses and expenses, as applicable.

16. Critical Accounting Policies and Management Estimates

Critical Accounting Estimates

Preparing financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the following:

i) Revenue recognition – system sales contracts

For the Company's system sales contracts, control of goods or services transfers over time to the customer and revenue is recognized based on the extent of progress in each period towards completion of the performance obligation. The extent of progress towards completion is based on internal estimates, with reference to the proportion of work performed during each phase of a system sales contract. Due to the nature of the work required to be performed on each system sales contract in order to satisfy the performance obligation, management's estimation of stage of completion is complex and requires significant judgment. The significant assumptions and factors that can affect the accuracy of the estimate, include but are not limited to, the relative weight of each phase of the contract and the percentage of completion within each contract phase.

ii) Impairment of goodwill

In assessing impairment, management estimates the recoverable amounts of the cash-generating unit based on expected future cash flows and uses a weighted average cost of capital to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

iii) Other areas of estimation

Other areas of estimation include collectability of accounts receivable, valuation of inventory, the useful lives and recoverability of long-lived assets and warranty provision. There is also an estimation uncertainty relating to the COVID 19 pandemic, see section 2 for details on the current estimated impact. Actual results could differ from those estimates.

No Changes in Accounting Policies

The Company's significant accounting policies are those that affect its financial statements and are summarized in Note 3 of the consolidated financial statements for the year ended December 31, 2021. Critical accounting policies and estimates in the period included revenue recognition for system sales contracts, the assessment of impairment of long-lived assets and goodwill, the measurement of financial instruments and the recognition of provisions. There have been no changes of accounting policies during the year, and no changes are expected to be adopted subsequent to the year.

Future Accounting Standards
There are a number of accounting standard amendments issued by the International Accounting Standards Board which the Company has not yet adopted. None of the future amendments are expected to have a significant impact on the Company's accounting policies on adoption.

17. Financial Instruments and Related Risks

The Company is exposed to a variety of financial risks as a result of its operations, including credit risk, market risk (which includes foreign exchange rate risk and interest rate risk) and liquidity risk. The risks associated with the Company's financial instruments, and the policies on how the Company mitigates those risks are set out below. This is not intended to be a comprehensive discussion of all risks.

i) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, and accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions, and through the performance of credit checks for all new customers. The Company considers its credit risk with respect to accounts receivable to be limited to the value of the provision for allowance for expected credit losses which has been recognized.

ii) Foreign exchange rate risk

The Company is exposed to financial risk related to fluctuations of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily the United States dollar ("US dollar"), UK pounds sterling ("GBP") and Euros. The Company believes that its results of operations, financial position and cash flows could be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its foreign currency obligations. The Company manages foreign exchange risk by maintaining US dollar, GBP and Euros cash on hand to fund its anticipated short-term foreign currency expenditures.

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk on its foreign currency denominated cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the promissory note (prior to the repayment in full in February 2021).

The carrying amounts of the Company's foreign currency denominated monetary financial assets and monetary financial liabilities, shown as values in the foreign currency, at the reporting date are as follows:

	Financial assets		**Financial liabilities**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
GBP	906	555	302	2,109
Euro	1,625	96	1,122	33
US dollar	6,706	5,199	164	7

iii) Foreign currency sensitivity analysis

The Company's exposure to a 10% exchange rate movement, shown in Canadian dollars, on its foreign currency denominated financial assets and financial liabilities results in the following gains and losses:

	GBP	Euro	US
10% strengthening of the Canadian dollar (increase)/decrease the net loss	115	61	922
10% weakening of the Canadian dollar (increase)/decrease the net loss	(94)	(50)	(754)

The use of a 10% movement in exchange rates is considered appropriate given recent movements in exchange rates.

A substantial amount of the Company's sales and purchases are transacted in foreign currencies. The exposure to foreign exchange rates varies throughout the year depending on the volume and timing of transactions in foreign currencies

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2021 the Company had no interest bearing financial liabilities.

v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The Company's ability to do this relies on the Company maintaining sufficient cash in excess of anticipated needs and raising debt or equity financing in a timely manner.

The Company enters into contracts that give rise to commitments in the normal course of business for future minimum payments. Refer to section 11 'Contractual liabilities' for details of the remaining contractual maturities of its financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows.

18. Disclosure Controls and Internal Controls Over Financial Reporting

Management is responsible for the design and effectiveness of disclosure controls and procedures, and is responsible for establishing and maintaining adequate internal control over financial reporting. These controls have been designed to provide reasonable assurance regarding the reliability of the Company's disclosure and, with respect to the internal controls over financial reporting in particular, the Company's financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of our internal controls over financial reporting during the quarter ended December 31, 2021 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

Under the supervision of the CEO and CFO, management evaluated the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as of December 31, 2021. In making the assessment of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, the Company used the Internal Control - 2013 Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2021.

19. Outstanding Share Information

As of March 10 2022, the Company had the following common shares, stock options, warrants and restricted share units outstanding:

Common shares	150,300,657
Stock options (vested and unvested)	7,078,741
Warrants	-
Restricted share units	2,607,347

At December 31, 2021, there were 150,293,991 common shares outstanding.

20. Alternative performance measures

i) Specified Financial Measures

Management evaluates the Company's performance using a variety of measures, including "gross margin (excluding amortization)", "Adjusted EBITDA", "Sales Pipeline" and "sales order backlog". The specified financial measures, including non-IFRS measures and supplementary financial measures should not be considered as an alternative to or more meaningful than revenue or net loss. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The Company believes these specified financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. Management uses these specified financial measures to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing consolidated underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

Adjusted EBITDA
Adjusted EBITDA is a non-IFRS measure and is defined by the Company as earnings before interest, taxes, foreign exchange, depreciation and amortization, as well as adjustments for other income (expense), value assigned to options and RSU's granted, strategic initiatives, transaction costs and non-recurring items (professional fees related to Shelf Prospectus and other matters and adjustment for the bonus accrual in the comparative year of 2020).

Reconciliation of net loss to Adjusted EBITDA

	Three months ended December 31, 2021 $ 000's	Three months ended December 31, 2020 $ 000's	Year ended December 31, 2021 $ 000's	Year ended December 31, 2020 $ 000's
Net loss, before tax	(1,271)	(1,259)	(2,526)	(2,549)
Add back:				
Share based payments	344	204	1,098	414
Depreciation and Amortization	397	384	1,571	1,526
Finance expense	10	100	87	495
Finance income	(162)	-	(162)	
Other income	-	-	(207)	(1,777)
Foreign exchange loss	21	248	184	190
Professional fees related to Shelf Prospectus and other matters	-	-	101	-
Strategic initiatives	484	-	484	-
Transaction costs	451	-	451	-
Other adjustments- bonus accrual	-	483	-	-
Adjusted EBITDA	**274**	**160**	**1,081**	**(1,701)**

Refer to sections 7,8,9, and 10 above for reconciliation of gross margin (excluding amortization).

Sales Order Backlog
Sales order backlog is a supplementary financial measure that refers to the balance of unrecognized revenue from contracted projects. The sales order backlog increases by the value of new system sales contracts and is drawn down over time as projects progress towards completion with amounts recognized in revenue (by reference to the stage of completion of each contract).

Sales Pipeline
Additions to the amount in the sales pipeline (a supplementary financial measure) comes from situations where the Company provides a quote and reductions to the amount in the sales pipeline arise when the Company loses a quote or bid, the project owner decides not to proceed with the project or, where a quote in the pipeline is converted to the order book (sales order backlog).

21. Risks and Uncertainties

Greenlane's business is exposed to risks and uncertainties that affect its outlook, results of operations and financial position. The risks and uncertainties described below are not the only ones that Greenlane faces. Additional risks and uncertainties, including those that management is not currently aware of or that management currently deems immaterial, may also adversely affect Greenlane's business. Please refer to the heading "Risk Factors" in the Company's Annual Information Form and the Shelf Prospectus which can be found on the SEDAR website at www.sedar.com.

Macroeconomic and geopolitical risks and uncertainties that impact Greenlane's business include: the uncertain and unpredictable condition of the global economy; the effects of the Russia-Ukraine war and related economic and political sanctions on global fuel sources and supply chains, significant markets for RNG may develop more slowly than expected; changes in government policies and regulations could hurt the market for Greenlane's products; competition from other developers and manufacturers of biogas upgrading products could reduce Greenlane's market share or reduce its gross margins; technological advances or the adoption of new codes and standards could impair Greenlane's ability to deliver its products and fluctuations in foreign exchange rates could impact Greenlane's revenues and costs.

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a global pandemic. The Company continues to operate its business at this time. As the COVID-19 pandemic continues to evolve, the Company's business may be impacted, including through supply chain and delivery delays, with a result that it may not be able to complete on its current biogas upgrading contracts within the anticipated timeframe. In some cases, such delays may result in liquidated damages, may adversely affect the Company's recording of revenues, and receipt of milestone payments from these contracts may be deferred to later fiscal reporting periods.

The general rate of inflation impacts the economies and business environments in which Greenlane operates. Increased inflation and any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of higher interest rates or wage and price controls, may negatively impact Greenlane's costs as well as the demand for its products and services, and could, accordingly, have a material adverse effect on Greenlane's business, financial condition and results of operations.

The Company also faces many operating risks and uncertainties, including but not limited to: Greenlane may not be able to implement its business strategy; Greenlane's biogas upgrading systems may fail performance expectations; unexpected disruptions may affect project developments and operations; there is no assurance that Greenlane's joint venture with SWEN will be successful in deploying capital toward RNG projects; there is no assurance that Greenlane's strategic growth initiatives or opportunities will lead to increased revenues or profitability; Greenlane may face competition for the attraction of skilled personnel and may be unable to hire sufficient staff to keep pace with operational demands; competition in the biogas industry may increase and Greenlane may have greater competition for future business; Greenlane may not be able to obtain insurance or the insurance placed may not be sufficient to cover losses; Greenlane could be liable for environmental damages resulting from its activities; Greenlane's strategy for the sale of biogas upgrading products depends on developing partnerships with component manufacturers related to its water wash, PSA and membrane biogas upgrading systems and market channel partners who incorporate Greenlane's products into their projects; Greenlane is reliant on third party suppliers for key materials and components for its products; Greenlane may not be able to manage the expected expansion of its operations; Greenlane's plan to expand into deployment of development capital may not materialize or may not result in the benefits expected; Greenlane sells its products in many different countries which have different rules and regulations; Greenlane will need to recruit, train and retain key management and other qualified personnel to successfully operate and expand its business and it may not be able to do so at a rate to keep pace with the fast expanding market; the acquisition of Airdep and any other technologies or companies that Greenlane might acquire in the future could disrupt its business or otherwise not realize the benefits anticipated for which Airdep and any other acquisitions were made; any failures of Greenlane's products could negatively impact its customer relationships and increase its costs; Greenlane's intellectual property could be compromised which could adversely affect its business; potential customers could reduce their spending on biogas upgrading projects; Greenlane may not be able to maintain the necessary liquidity level or secure the financing necessary to fulfill its business plan; and financing may not be available on favorable terms.

The Company's estimates of Sales Order Backlogs are subject to normal commercial risks which include, without limitation, the ability of the Company's customers to secure required financing or permitting approvals and the ability of the Company's suppliers in its supply chain to deliver on time and on specification. Delays in completion of projects representing the Company's Sales Order Backlog may result in revenues from these contracts being deferred to future financial periods. In addition, the contracts that we enter into may provide the customer with the ability to terminate with prescribed threshold payments based on length of time or progress made since the contract was entered into. Determinations by customers to exercise these termination rights could result in the Company earning less revenues than indicated by the amount of the Sales Order Backlog.

The Company's estimates of qualified prospective projects that management believes could convert into orders within approximately 24 months, which is referred to as the Company's Sales Pipeline, are estimates only and should be evaluated by investors in this context. These estimates represent management's expectations as to the amount or the number of contracts to be signed and are estimates only as to the possible prospective market. There can be no assurance that management's expectations are an accurate assessment of the potential market or that these potential projects will proceed or will proceed within the expected timeframe. In addition, it is anticipated that the Company will be successful in securing only a portion of the available projects that are judged to be within the Company's potential Sales Pipeline. Specifically, it is anticipated that not all of these sales opportunities will be available to the Company, that the Company may determine not to pursue these opportunities or, if pursued, that these opportunities may not result in biogas upgrading contracts being awarded to the Company.

22. Forward-Looking Statements

This MD&A contains forward-looking statements, including statements regarding the future success of the Greenlane business, technology and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "plans", "continues", "could", "indicates", "will", "intends", "may", "projects", "schedules", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: expected progress for the fulfilment of contracts for biogas upgrading systems and the timing of revenue recognition; the potential impact of COVID-19 on the Company's business including through shipping delays, access to material supplies and inflation;; that the Company will be able to add new revenues and profits by pursuing develop, build, own and operate opportunities; actions expected to be undertaken to achieve the Company's strategic goals; the anticipated benefits of acquiring Airdep and its technologies including that the Company will be able to enhance its global offerings and expand sales globally, that the Company will be able to enhance and develop innovative new products and serve new customers as a result of the Airdep acquisition, that the acquisition will further strengthen the Company's price competitiveness and margins, the key market drivers impacting the Company's success; intentions and expectations with respect to future biogas upgrading projects and development work; expectations regarding business activities and orders that may be received in future years; trends in, and the development of, the Company's target markets including regulatory policies and legislation; the Company's market opportunities; the benefits of the Company's products; expectations regarding competitors; the expected impact of the described risks and uncertainties; the management of the Company's liquidity risks in light of the prevailing economic conditions; and the ability of the Company to obtain financing in order to grow its business; visibility as to new projects, proposed or proceeding, and their estimated value.

These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause the Company's actual results, level of activity or performance to be materially different from any future results, levels of activity or performance expressed in or implied by these forward-looking statements. These risks include, generally, risks related to revenue growth, operating results, industry and products, technology, competition, regulatory policies, the availability of skilled personnel; the ability of the Company to convert opportunities into committed contracts; the ability of the Company to realize the benefits of the Airdep acquisition, the economy and other factors. Although the forward-looking statements contained herein are based upon what management believes to be current and reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. Examples of such assumptions include but are not limited to: trends in certain market segments and the economic climate generally; the impact of COVID-19 on the global supply chain including shipping, material supplies and inflation; the pace and outcome of technological development and the expected actions of competitors and customers. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement and the Risks and Uncertainties in this MD&A and other referenced public disclosure. Except to the extent required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein.