



**GREENLANE**  
**RENEWABLES™**

**GREENLANE RENEWABLES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS**

**For the Three Months Ended March 31, 2023 and 2022**

(Unaudited)

(Expressed in thousands of Canadian dollars)

**Greenlane Renewables Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited) (in thousands of Canadian dollars)

As at	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,298	\$ 21,381
Restricted cash	1,693	1,694
Accounts receivable (note 5)	14,752	13,027
Inventory	1,576	1,129
Prepaid expenses and other assets	1,573	1,266
Contract assets (note 6)	12,318	14,527
	48,210	53,024
Non-current assets:		
Notes receivable (note 7)	1,965	1,752
Property and equipment (note 8)	1,670	1,732
Intangible assets (note 9)	8,050	8,349
Goodwill	18,215	18,082
Deferred tax asset	502	448
<b>TOTAL ASSETS</b>	<b>\$ 78,612</b>	<b>\$ 83,387</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 19,972	\$ 23,021
Contract liabilities (note 6)	1,179	1,069
Deferred consideration – share issuance (note 4)	-	361
Current portion of lease liability (note 11)	230	268
Current portion of warranty liability (note 12)	1,389	1,062
	22,770	25,781
Non-current liabilities:		
Deferred consideration – contingent earn-out (note 4)	1,630	1,582
Lease liability (note 11)	958	967
Warranty liability (note 12)	455	838
Deferred tax liability	700	736
<b>Total liabilities</b>	<b>26,513</b>	<b>29,904</b>
<b>Shareholders' equity</b>		
Share capital	65,678	65,253
Contributed surplus	4,589	4,280
Accumulated other comprehensive loss	(177)	(378)
Deficit	(17,991)	(15,672)
<b>Total shareholders' equity</b>	<b>52,099</b>	<b>53,483</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 78,612</b>	<b>\$ 83,387</b>

See accompanying notes to the condensed consolidated interim financial statements

Approved by the Board of Directors and authorized for issue on May 11, 2023

"Wade Nesmith" \_\_\_\_\_ Director "David Blaiklock" \_\_\_\_\_ Director

**Greenlane Renewables Inc.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

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

For the three months ended March 31,	2023	2022
Revenue (note 15)	\$ 15,479	\$ 16,273
Cost of goods sold (before amortization)	11,703	12,252
	3,776	4,021
Amortization of:		
Intangible assets	473	469
Property and equipment	36	30
Gross profit	3,267	3,522
Operating expenses:		
Amortization of office equipment	111	118
General and administration	4,907	3,358
Research and development	223	290
Sales and marketing	363	343
Share based compensation	355	550
Strategic initiatives	-	321
	5,959	4,980
Operating loss	(2,692)	(1,458)
Other items:		
Finance expense	18	25
Finance income	(208)	(24)
Other loss	21	-
Foreign exchange (gain) loss	(286)	692
Loss before income taxes	(2,237)	(2,151)
Income taxes:		
Current	136	-
Deferred recovery	(54)	-
Total income taxes	82	-
Net loss	(2,319)	(2,151)
Other comprehensive (income) loss		
Item that may be subsequently reclassified:		
Exchange difference on translating foreign operations	(201)	9
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (2,118)</b>	<b>\$ (2,160)</b>
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of shares	152,698,339	150,299,916
Diluted weighted average number of shares	152,698,339	150,299,916

See accompanying notes to the condensed consolidated interim financial statements

**Greenlane Renewables Inc.**

**Condensed Consolidated Interim Statements of Changes in Equity**

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

	Common shares	Common shares	Contributed surplus	Cumulative translation adjustment	Deficit	Total
<b>Balance, January 1, 2022</b>	<b>150,293,991</b>	<b>\$ 64,074</b>	<b>\$ 2,395</b>	<b>\$ 179</b>	<b>\$ (10,167)</b>	<b>\$ 56,481</b>
Share based compensation	-	-	550	-	-	550
Options and restricted share units						
Exercised	6,666	2	(1)	-	-	1
Net loss and comprehensive loss	-	-	-	(9)	(2,151)	(2,160)
<b>Balance, March 31, 2022</b>	<b>150,300,657</b>	<b>\$ 64,076</b>	<b>\$ 2,944</b>	<b>\$ 170</b>	<b>\$ (12,318)</b>	<b>\$ 54,872</b>
<b>Balance, January 1, 2023</b>	<b>152,040,781</b>	<b>\$ 65,253</b>	<b>\$ 4,280</b>	<b>\$ (378)</b>	<b>\$ (15,672)</b>	<b>\$ 53,483</b>
Share based compensation	-	-	355	-	-	355
Options and restricted share units						
Exercised	202,160	63	(46)	-	-	17
Acquisition share issuance ( <i>note 4</i> )	770,298	362	-	-	-	362
Net loss and comprehensive loss	-	-	-	201	(2,319)	(2,118)
<b>Balance, March 31, 2023</b>	<b>153,013,239</b>	<b>\$ 65,678</b>	<b>\$ 4,589</b>	<b>\$ (177)</b>	<b>\$ (17,991)</b>	<b>\$ 52,099</b>

See accompanying notes to the condensed consolidated interim financial statements

**Greenlane Renewables Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited) (in thousands of Canadian dollars)

For the three months ended March 31,	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (2,319)	\$ (2,151)
Adjustments for:		
Amortization of:		
Intangible assets	473	469
Property and equipment	36	30
Office equipment	111	118
Share based compensation	355	550
Finance expense	18	25
Finance income	(208)	(24)
Other loss	21	-
Foreign exchange (gain) loss	(286)	692
Deferred income tax recovery	(54)	-
Cash used in operating activities before non-cash working capital	(1,853)	(291)
Interest paid on lease liability	(17)	(25)
Interest received	149	24
Net change in non-cash working capital <i>(note 16)</i>	(3,038)	(1,014)
<b>Net cash used in operating activities</b>	<b>(4,759)</b>	<b>(1,306)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Business combination, net of cash acquired <i>(note 4)</i>	(52)	(6,887)
Notes receivable	(156)	-
Purchase of property and equipment	(40)	(68)
<b>Net cash used in investing activities</b>	<b>(248)</b>	<b>(6,955)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from options and restricted share units	17	1
Lease principal payments	(79)	(86)
<b>Net cash used in financing activities</b>	<b>(62)</b>	<b>(85)</b>
Net change in cash and cash equivalents	(5,069)	(8,346)
Cash and cash equivalents, beginning of period	21,381	31,471
Effect of translation on foreign cash	(14)	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 16,298</b>	<b>\$ 23,125</b>

See accompanying notes to the condensed consolidated interim financial statements

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

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### 1. NATURE OF OPERATIONS

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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 commercial 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.

### 2. BASIS OF PRESENTATION

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(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of interim financial statements, including International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and should be read in conjunction with the Company's most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 11, 2023.

(b) Functional and presentation currency

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

The Company and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise.

The Company has foreign operations which are translated to the Company's presentation currency for inclusion in the condensed consolidated interim financial statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect on the transaction date. The resulting translation gains and losses are included in other comprehensive income ("**OCI**") with cumulative gains or losses reported in Accumulated Other Comprehensive Income (Loss) ("**AOCI**"). Amounts previously recognized in AOCI are recognized in net earnings when there is a reduction in a foreign net investment as a result of a disposal, partial disposal, or loss of control.

The functional currency for each subsidiary is included in the table in Note 2(c) – Basis of consolidation.

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 2. BASIS OF PRESENTATION (continued)

##### (c) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These entities are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements of Greenlane include the following significant subsidiaries ("**Subsidiary**") listed below. The ultimate holding entity of the entities listed is Greenlane.

Entity	Jurisdiction	Functional Currency	Ownership Interest	
			2023	2022
Airdep S.r.l.	Italy	Euro	100%	100%
Greenlane Biogas Global Limited	Canada	Canadian dollar	100%	100%
Greenlane Biogas Italy S.r.l.	Italy	Euro	100%	100%
Greenlane Biogas North America Limited	Canada	Canadian dollar	100%	100%
Greenlane Biogas U.K. Limited	United Kingdom	Great Britain pound	100%	100%
Greenlane Biogas US Corp.	United States	United States dollar	100%	100%
Greenlane Europe Limited	United Kingdom	Great Britain pound	100%	100%
Greenlane Europe B.V.	Netherlands	Euro	100%	100%
Greenlane Renewables Capital Inc.	United States	United States dollar	100%	100%
PT Biogas Holdings Limited	United Kingdom	Great Britain pound	100%	100%
PT Biogas Technology Limited	United Kingdom	Great Britain pound	100%	100%

##### (d) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a going concern basis, using the historical cost convention, except as otherwise noted.

##### (e) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying value of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from these estimates and the differences could be material. Estimates and judgements are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods.

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

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#### 3. DETERMINATION OF FAIR VALUES

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A number of the Company's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuation based on observables inputs other than quoted active market prices; and
- Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Notes receivable

The fair value of notes receivable is estimated as the present value of future cash flows, discounted at the market rate of interest as at the reporting date. This fair value is determined for disclosure purposes. The fair value approximates the carrying value due to the maturity.

(b) Share based compensation transactions

The fair value of share options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments adjusted for forfeitures (based on historical experience and general holder behavior), the expected dividends and the risk-free interest rate (based on government bonds).

(c) Deferred consideration – contingent earn-out

The fair value of deferred consideration – contingent earn-out is estimated using the income approach which is the estimated present value of future cash flows, discounted at the market rate of interest at the reporting date.



## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 4. BUSINESS COMBINATION

On February 1, 2022, the Company acquired 100% of the outstanding shares of Airdep S.r.l. ("Airdep"), a provider of biogas desulfurization and air deodorization products based in Vicenza, Italy (the "Acquisition"). The Acquisition has been accounted for as a business combination using the acquisition method and the business has been consolidated from the date of acquisition.

The following tables set out the details of the Acquisition including consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed.

<b>Fair value of net assets acquired</b>	
Cash and cash equivalents	\$ 971
Accounts receivable	1,326
Other current assets	97
Contract assets	65
Inventory	192
Property and equipment	1,316
Intangible assets	3,957
Goodwill	7,586
Accounts payable and accrued liabilities	(1,255)
Contract liabilities	(25)
Lease liability	(1,051)
Deferred tax liability	(1,104)
<b>Net assets acquired</b>	<b>\$ 12,075</b>

The goodwill acquired is not deductible for income tax purposes. The value of the goodwill is attributable to the value assigned to future customers and synergies.

<b>Consideration given</b>			
Cash on closing	€	5,500	\$ 7,858
Deferred consideration – share issuance		1,000	1,429
Deferred consideration – contingent earn-out		1,069	1,527
Working capital adjustment and net financial position		883	1,261
<b>Total consideration</b>	<b>€</b>	<b>8,452</b>	<b>\$ 12,075</b>

The deferred share consideration is issuable in four equal tranches (€0.25 million) based on the 20-day volume-weighted average price prior to the share issuance date, issued over the four quarters following closing on February 1, 2022. As the consideration was settled on February 1, 2023, no discounting was applied.

The deferred contingent earn-out payment is payable in early 2025 based on the future financial performance of Airdep and will be payable in cash or a combination of cash and Company shares, at the Company's option, up to a maximum of €2.5 million. The fair value is based on a range of payout scenarios from €0.9 million to €2.5 million driven by the estimated future financial performance of Airdep and discounted at a rate of 0.5%. The discount rate was selected based on the corporate yield for industrial companies on February 1, 2022, rated BBB.

The working capital adjustment and net financial position are customary closing payments. Since the acquisition, the Company has made payments of \$1.0 million with the remaining balance expected to be paid in 2023.

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 5. ACCOUNTS RECEIVABLE

As at	March 31, 2023	December 31, 2022
Trade accounts receivable, net of provision	\$ 14,241	\$ 12,285
Other receivables	511	742
	\$ 14,752	\$ 13,027

The aging analysis of trade receivables is as follows:

As at	March 31, 2023	December 31, 2022
<31 days	\$ 9,904	\$ 8,763
31 – 60 days	1,595	443
61 – 90 days	310	594
>90 days	3,435	3,455
Allowance for doubtful accounts	(1,003)	(970)
Trade accounts receivable, net of provision	\$ 14,241	\$ 12,285

#### 6. CONTRACT ASSETS AND LIABILITIES

	Balance, January 1, 2023	Acquired from Airdep	Revenue recognized	Progress billings	Balance, March 31, 2023
Contract assets	\$ 14,527	\$ -	\$ 13,440	\$ (15,649)	\$ 12,318
Contract liabilities	\$ (1,069)	\$ -	\$ 19	\$ (129)	\$ (1,179)
	Balance, January 1, 2022	Acquired from Airdep	Revenue recognized	Progress billings	Balance, December 31, 2022
Contract assets	\$ 9,837	\$ 65	\$ 64,529	\$ (59,904)	\$ 14,527
Contract liabilities	\$ (1,446)	\$ (25)	\$ 1,029	\$ (627)	\$ (1,069)

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.

The revenue recognized during the year and the contract balances for the period ended March 31, 2023 primarily relate to 20 projects (25 projects for the year ended December 31, 2022).

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 7. NOTES RECEIVABLE

During 2022, the Company made two investments in the form of convertible promissory notes receivable (the "Notes"). The Notes were provided to two companies ("DevCo's") in the pre-construction development phase on renewable natural gas projects. Under the terms of the Notes, the maximum principal amount committed is \$1.5 million USD, payable in tranches as the projects achieve identified milestones. The Notes carry customary fees, bear interest at 12% per annum (compounded daily) and at the option of Greenlane are convertible into equity interests of the DevCo's.

Upon achieving project construction financing, the Company is entitled to a special distribution (the "Special Distribution") equal to 100% of the principal amount and accrued interest outstanding on the Note. If the Special Distribution is not paid under the first advance of project construction financing, interest on the Special Distribution will continue to accrue at 12% per annum (compounded daily). The Special Distribution and accrued interest is payable on the earlier of (i) the date on which the project passes its acceptance date or (ii) the commercial operation date of the project which is not expected to occur in the next 12 months.

The balances outstanding are comprised of:

As at	March 31, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,752	\$ -
Advances made	\$ 156	\$ 1,584
Accrued interest and fees	59	168
Foreign exchange adjustment	(2)	-
Notes receivable	\$ 1,965	\$ 1,752

#### 8. PROPERTY AND EQUIPMENT

	Machinery and equipment	Right-of-use assets	Total
<b>Cost</b>			
Balance, January 1, 2022	\$ 420	\$ 1,018	\$ 1,438
Additions	491	24	515
Acquisitions	265	1,051	1,316
Disposals	(125)	-	(125)
Foreign exchange adjustment	13	20	33
Balance, December 31, 2022	1,064	2,113	3,177
Additions	40	19	59
Foreign exchange adjustment	14	24	38
<b>Balance, March 31, 2023</b>	\$ 1,118	\$ 2,156	\$ 3,274
<b>Accumulated amortization</b>			
Balance, January 1, 2022	\$ 174	\$ 576	\$ 750
Amortization	466	341	807
Disposals	(125)	-	(125)
Foreign exchange adjustment	6	7	13
Balance, December 31, 2022	521	924	1,445
Amortization	63	76	139
Foreign exchange adjustment	10	10	20
<b>Balance, March 31, 2023</b>	\$ 594	\$ 1,010	\$ 1,604
<b>Carrying value</b>			
At December 31, 2022	543	\$ 1,189	\$ 1,732
<b>At March 31, 2023</b>	\$ 524	\$ 1,146	\$ 1,670

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 9. INTANGIBLE ASSETS

	Patents, trademarks and design	Process technologies	Backlog	Software and licenses	Total
Cost					
Balance, January 1, 2022	\$ 9,662	\$ -	\$ -	\$ 30	\$ 9,692
Acquisitions	-	3,800	157	-	3,957
Disposals	-	-	-	(30)	(30)
Foreign exchange adjustment	(457)	45	2	-	(410)
Balance, December 31, 2022	9,205	3,845	159	-	13,209
Foreign exchange adjustment	228	68	2	-	298
<b>Balance, March 31, 2023</b>	<b>\$ 9,433</b>	<b>\$ 3,913</b>	<b>\$ 161</b>	<b>\$ -</b>	<b>\$ 13,507</b>
Accumulated amortization					
Balance, January 1, 2022	\$ 3,187	\$ -	\$ -	\$ 9	\$ 3,196
Amortization	1,175	504	145	21	1,845
Disposals	-	-	-	(30)	(30)
Foreign exchange adjustment	(151)	-	-	-	(151)
Balance, December 31, 2022	4,211	504	145	-	4,860
Amortization	301	168	12	-	481
Foreign exchange adjustment	104	8	4	-	116
<b>Balance, March 31, 2023</b>	<b>\$ 4,616</b>	<b>\$ 680</b>	<b>\$ 161</b>	<b>\$ -</b>	<b>\$ 5,457</b>
Carrying value					
As at December 31, 2022	\$ 4,994	\$ 3,341	\$ 14	\$ -	\$ 8,349
<b>As at March 31, 2023</b>	<b>\$ 4,817</b>	<b>\$ 3,233</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,050</b>

#### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2023	December 31, 2022
Trade accounts payable	\$ 3,243	\$ 3,944
Income taxes payable	507	510
Accrued liabilities	2,680	3,573
Accrued costs related to system sales	13,519	14,955
Deferred aftercare revenue	23	39
Accounts payable and accrued liabilities	<b>\$ 19,972</b>	<b>\$ 23,021</b>

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 11. LEASE LIABILITIES

The Company recognizes right-of-use assets (Note 8) and lease liabilities in relation to office leases of Greenlane's head office in Burnaby, British Columbia, Canada, operations offices in Sheffield, United Kingdom and Vicenza, Italy, and vehicle leases in the United Kingdom.

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 commenced.

As at	March 31, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,235	\$ 459
Additional leases	19	28
Acquisitions	-	1,051
Lease payments	(96)	(387)
Finance fees	17	78
Foreign exchange adjustment	13	6
Balance, end of the period	1,188	1,235
Current portion	(230)	(268)
Non-current portion of lease liabilities	\$ 958	\$ 967

Payments of principal amounts owing are as follows:

April 2023 – March 2024	\$ 230
April 2024 – March 2025	119
April 2025 – March 2026	88
April 2026 – March 2027	92
April 2027 and thereafter	659
	\$ 1,188

#### 12. WARRANTY LIABILITIES

The Company provides a warranty following the sale of certain products and as such, 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 at	March 31, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,900	\$ 252
Additions in the year	-	1,997
Charges against provision	(56)	(103)
Provision expired	-	(246)
Balance, end of the year	1,844	1,900
Current portion	(1,389)	(1,062)
Non-current portion of warranty liabilities	\$ 455	\$ 838

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 13. CREDIT FACILITIES

The Company has a \$20.0 million standby letter of credit facility (the "**Facility**") that provides the Company the ability to issue standby letters of credit to its customers for system supply contracts that have advance payment and performance security requirements. As at March 31, 2023, the Company had issued \$17.2 million in standby letters of credit under the Facility.

The Company also has \$7.2 million in advance payment bonds and performance bonds outstanding. The Company was required to provide a cash deposit of \$1.6 million, classified as restricted cash, to partially secure the bonds.

Upon demand of any standby letter of credit, advance payment bond or performance bond, the Company would be required to compensate the counterparty for any losses and expenses incurred, as applicable.

#### 14. SHARE BASED COMPENSATION

##### (a) Omnibus Incentive Plan

The Company has in place a stock option plan (the "**Legacy Option Plan**") and a restricted share unit plan (the "**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 (the "**Omnibus Incentive Plan**") under which the Company can award both stock options ("**Options**") and restricted share units ("**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 March 31, 2023, Options and RSUs issued under the Legacy Option Plan, the Legacy RSU Plan and the Omnibus Incentive Plan represented 7% of issued and outstanding common share capital.

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.

##### (b) Options

A summary of the Company's 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, 2022	5,069,137	\$ 0.54
Granted	3,240,029	1.03
Exercised	(278,332)	0.28
Forfeited	(991,362)	1.15
Balance, December 31, 2022	7,039,472	0.70
Granted	242,000	0.37
Exercised	(85,000)	0.20
Forfeited	(47,500)	1.20
<b>Balance, March 31, 2023</b>	<b>7,148,972</b>	<b>\$ 0.69</b>

As at March 31, 2023, 4,326,320 Options were exercisable.

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 14. SHARE BASED COMPENSATION (continued)

(b) Options (continued)

Exercise Price	Share options outstanding March 31, 2023			Share options exercisable March 31, 2023	
	Number of share option	Remaining contractual life	Weighted average exercise price	Number of share options	Weighted average exercise price
\$0.10 - \$0.50	3,774,001	2.39 years	\$ 0.24	3,307,996	\$ 0.22
\$0.51 - \$1.00	690,000	4.27 years	\$ 0.65	39,999	\$ 0.74
\$1.01 - \$1.50	1,905,858	3.84 years	\$ 1.15	635,291	\$ 1.15
\$1.51 - \$1.94	779,113	3.28 years	\$ 1.71	343,034	\$ 1.73
	<b>7,148,972</b>	<b>2.89 years</b>	<b>\$ 0.69</b>	<b>4,326,320</b>	<b>\$ 0.46</b>

The value of the Options issued in 2023 was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant date	Mar 14, 2023
Options granted	242,000
Exercise price	\$0.37
Fair value per Option	\$0.22
Risk-free rate	3.33%
Expected volatility	84.13%
Expected life in years	3.50
Expected dividend yield	-

(c) 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, 2022	1,245,792
Granted	931,421
Exercised	(81,066)
Forfeited	(127,260)
Balance, December 31, 2022	1,968,887
Granted	1,917,500
Exercised	(192,250)
<b>Balance, March 31, 2023</b>	<b>3,694,137</b>

In March 2023, the Company granted 1,917,500 RSUs to the management team and certain employees with vesting over 3 years with a fair value of \$0.7 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.

**Greenlane Renewables Inc.****Notes to Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

**15. REVENUE**

For the three months ended March 31,	2023	2022
System sales:		
United States	\$ 7,241	\$ 10,430
Europe	1,701	1,226
Brazil	2,678	165
Canada	1,443	3,249
Other	396	-
	13,459	15,070
Aftercare service:		
United States	233	132
Europe	1,466	972
Brazil	126	-
Canada	16	69
Other	179	30
	2,020	1,203
Total revenue:		
United States	7,474	10,562
Europe	3,167	2,198
Brazil	2,804	165
Canada	1,459	3,318
Other	575	30
	\$ 15,479	\$ 16,273

**16. NON-CASH WORKING CAPITAL**

The net changes to non-cash working capital are as follows:

The three months ended March 31,	2023	2022
Restricted cash	\$ 1	\$ 88
Accounts receivable	(1,530)	5,382
Inventory	(439)	100
Prepaid expenses and other assets	(303)	(63)
Contract assets	2,218	(6,951)
Accounts payable and accrued liabilities	(3,096)	(686)
Contract liabilities	111	1,116
	\$ (3,038)	\$ (1,014)



## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 17. RELATED PARTY TRANSACTIONS

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

For the three months ended March 31,	2023	2022
Non-executive directors' fees	\$ 171	\$ 103
Salaries and short-term benefits	323	212
Equity-based compensation	79	136
	\$ 573	\$ 451

#### 18. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration.

(a) Fair value

Due to the short-term nature of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities, the Company has determined that the carrying amounts approximate fair value.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable and notes 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 and notes receivable to be limited to the value of the provision for allowance for expected credit losses which has been recognized.

(c) 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 ("USD"), Great Britain Pound ("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 USD, GBP and Euros cash on hand to fund its anticipated short-term foreign currency expenditures.

(d) 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 March 31, 2023 the Company has no variable-rate interest-bearing financial assets or liabilities.

## Greenlane Renewables Inc.

### Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

#### 18. FINANCIAL INSTRUMENTS (continued)

(e) 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 with cash. The Company's ability to do this relies on the Company maintaining sufficient cash in excess of anticipated needs.

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:

<i>as at March 31, 2023</i>	Carrying amount	Contractual cash flow	Less than 12 months	1 - 2 years	2 - 3 years	Thereafter
Accounts payable and accrued liabilities	\$ 19,972	\$ 19,972	\$ 19,972	\$ -	\$ -	\$ -
Lease liability	1,188	1,631	297	297	265	772
Warranty liability	1,844	1,844	1,389	455	-	-
Deferred consideration – contingent earn-out	1,630	1,745	-	1,745	-	-
	\$ 24,634	\$ 25,192	\$ 21,658	\$ 2,497	\$ 265	\$ 772

#### 19. CONTINGENT LIABILITIES

As part of normal ongoing operations, it is possible that the Company could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of the Company.