

**GREENLANE RENEWABLES INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED – DECEMBER 31, 2021

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## 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](http://www.greenlanerenewables.com) and on the SEDAR website at [www.sedar.com](http://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 19<sup>th</sup> 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. Fulfillment 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<sub>2</sub>S) 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<sub>2</sub>S treatment systems that use a proprietary liquid reagent media for removal of H<sub>2</sub>S 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<sub>2</sub>S 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<sub>2</sub>S 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 digester, 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 contracts. 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.

	<b>Three Months Ended</b>			
	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	17,124	13,439	12,583	12,205
Gross Margin (excluding amortization) <sup>1,2</sup>	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 <sup>2</sup>	274	83	120	604

	<b>Three Months Ended</b>			
	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	8,825	6,504	4,241	2,930
Gross Margin (excluding amortization) <sup>1,2</sup>	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 <sup>2</sup>	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:

	<b>Three months ended December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>
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 % <sup>1</sup>	25%	27%	26%	29%
Amortization	(306)	(302)	(1,242)	(1,238)
<b>Gross profit</b>	<b>3,949</b>	<b>2,061</b>	<b>12,894</b>	<b>5,187</b>
Operating expenses	(4,900)	(2,972)	(15,067)	(8,828)
<b>Operating loss</b>	<b>(951)</b>	<b>(911)</b>	<b>(2,173)</b>	<b>(3,641)</b>
Other income (expenses)	(320)	(348)	(353)	1,092
<b>Loss before taxes</b>	<b>(1,271)</b>	<b>(1,259)</b>	<b>(2,526)</b>	<b>(2,549)</b>
Income tax recovery, net	76	78	76	78
<b>Net Loss</b>	<b>(1,195)</b>	<b>(1,181)</b>	<b>(2,450)</b>	<b>(2,471)</b>
Loss per share attributable to owners of the Company (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.03)
<b>Adjusted EBITDA</b>	<b>274</b>	<b>160</b>	<b>1,081</b>	<b>(1,701)</b>
<b>Total Assets</b>	<b>78,786</b>	<b>43,172</b>	<b>78,786</b>	<b>43,172</b>
<b>Total Current Liabilities</b>	<b>21,938</b>	<b>16,737</b>	<b>21,938</b>	<b>16,737</b>
<b>Total Long-term Liabilities</b>	<b>367</b>	<b>567</b>	<b>367</b>	<b>567</b>
<b>Total Equity</b>	<b>56,481</b>	<b>25,868</b>	<b>56,481</b>	<b>25,868</b>

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.

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

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:

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

### ***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.

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

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:

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

### ***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:

	<b>Due within one year \$ 000's</b>	<b>Due between one and five years \$ 000's</b>	<b>Due after five years \$ 000's</b>	<b>Total \$ 000's</b>
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
<b>Total</b>	<b>21,938</b>	<b>367</b>	<b>-</b>	<b>22,305</b>

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.

<b>Use of Proceeds</b>	<b>Total Planned Spend</b>	<b>Total Spend to December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
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
<b>Total</b>	<b>24,500*</b>	<b>7,855</b>

\*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.

<b>Use of Proceeds</b>	<b>Total Planned Spend</b>	<b>Total Spend to December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
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
<b>Total</b>	<b>10,400<sup>1</sup></b>	<b>7,077</b>

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:

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

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:

	<b>GBP</b>	<b>Euro</b>	<b>US</b>
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
<b>Net loss, before tax</b>	(1,271)	(1,259)	(2,526)	(2,549)
<b>Add back:</b>				
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	-	-
<b>Adjusted EBITDA</b>	<b>274</b>	<b>160</b>	<b>1,081</b>	<b>(1,701)</b>

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](http://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.