

# **Greenlane Renewables Inc.**

Condensed Consolidated Interim Financial Statements  
**For the three and nine months ended September 30, 2021 and 2020**  
(Unaudited)

(Expressed in thousands of Canadian dollars)

# Greenlane Renewables Inc.

## Condensed Consolidated Statements of Financial Position (Unaudited)

(Expressed in thousands of Canadian dollars)

	Notes	September 30, 2021 \$	December 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		35,568	16,442
Restricted cash	2	1,599	-
Accounts receivable		5,593	2,416
Inventory		1,056	1,624
Prepaid expenses and other receivables		1,253	1,125
Contract assets	4	10,740	2,518
		<u>55,809</u>	<u>24,125</u>
<b>Property and equipment</b>		656	821
<b>Intangible assets</b>		6,793	7,821
<b>Goodwill</b>		10,405	10,405
		<u>73,663</u>	<u>43,172</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	14,881	8,773
Contract liabilities	4	877	1,661
Lease liability, current portion		238	225
Warranty liability, current portion		102	121
Promissory note	6	-	5,957
		<u>16,098</u>	<u>16,737</u>
<b>Lease liability, non-current portion</b>		281	461
<b>Warranty liability, non-current portion</b>		150	106
		<u>16,529</u>	<u>17,304</u>
<b>Shareholders' Equity</b>			
<b>Share capital</b>	7	63,901	31,927
<b>Contributed surplus</b>		2,112	1,547
<b>Accumulated other comprehensive income</b>		93	111
<b>Deficit</b>		(8,972)	(7,717)
		<u>57,134</u>	<u>25,868</u>
		<u>73,663</u>	<u>43,172</u>

Approved by the Board of Directors and authorized for issue on November 9, 2021

"Wade Nesmith" Director      "David Blaiklock" Director

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

# Greenlane Renewables Inc.

## Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

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

	<b>Three months ended September 30, 2021 \$</b>	<b>Three months ended September 30, 2020 \$</b>	<b>Nine months ended September 30, 2021 \$</b>	<b>Nine months ended September 30, 2020 \$</b>
Revenue	13,439	6,504	38,227	13,675
Cost of goods sold, excluding amortization	(10,066)	(4,819)	(28,346)	(9,613)
	3,373	1,685	9,881	4,062
Amortization	(313)	(310)	(936)	(929)
<b>Gross profit</b>	<b>3,060</b>	<b>1,375</b>	<b>8,945</b>	<b>3,133</b>
General and administration	(1,252)	(736)	(3,248)	(2,149)
Salaries and benefits	(1,782)	(1,123)	(5,451)	(3,215)
Depreciation	(83)	(73)	(238)	(213)
Research and development	(256)	(25)	(476)	(76)
Share-based compensation	(295)	(152)	(754)	(210)
<b>Operating loss</b>	<b>(608)</b>	<b>(734)</b>	<b>(1,222)</b>	<b>(2,730)</b>
<b>Other income (expenses):</b>				
Finance expense	(9)	(101)	(78)	(395)
Other income	-	1,777	209	1,777
Foreign exchange gain (loss)	669	(199)	(164)	58
<b>Net income (loss)</b>	<b>52</b>	<b>743</b>	<b>(1,255)</b>	<b>(1,290)</b>
<b>Other comprehensive income (loss)</b>				
Item that may be subsequently reclassified to net loss:				
Foreign currency translation adjustment	(41)	172	(18)	(155)
<b>Total comprehensive income (loss)</b>	<b>11</b>	<b>915</b>	<b>(1,273)</b>	<b>(1,445)</b>
Basic and diluted earnings (loss) per share	0.00	0.01	(0.01)	(0.01)
Weighted average numbers of shares	150,129,208	96,829,382	141,710,724	89,326,074
Diluted weighted average numbers of shares	154,845,348	128,064,627	141,710,724	89,326,074

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

## Greenlane Renewables Inc.

### Condensed Consolidated Statement of Changes in Equity For the nine months ended September 30, 2021 and 2020 (Unaudited)

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

	Share capital (number of shares)	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
<b>Balance, January 1, 2020</b>	68,435,795	11,282	1,510	152	(5,246)	7,698
Share-based compensation expense	-	-	210	-	-	210
Warrants exercised	5,166,265	1,503	(160)	-	-	1,343
Options exercised	1,591,586	425	(120)	-	-	305
Shares/warrants issued	23,000,000	10,741	759	-	-	11,500
Agent options issued	-	-	235	-	-	235
Share issuance costs	-	(1,300)	(91)	-	-	(1,391)
Currency translation adjustment	-	-	-	(155)	-	(155)
Net loss for the period	-	-	-	-	(1,290)	(1,290)
<b>Balance, September 30, 2020</b>	<b>98,193,646</b>	<b>22,651</b>	<b>2,343</b>	<b>(3)</b>	<b>(6,536)</b>	<b>18,455</b>
<b>Balance, January 1, 2021</b>	114,681,456	31,927	1,547	111	(7,717)	25,868
Share-based compensation expense	-	-	754	-	-	754
Warrants exercised	22,214,553	7,824	(839)	-	-	6,985
Options and restricted share units exercised	1,052,982	534	(179)	-	-	355
Shares issued	12,190,000	26,452	-	-	-	26,452
Share issuance costs	-	(2,836)	-	-	-	(2,836)
Agent warrants issued	-	-	829	-	-	829
Currency translation adjustment	-	-	-	(18)	-	(18)
Net loss for the period	-	-	-	-	(1,255)	(1,255)
<b>Balance, September 30, 2021</b>	<b>150,138,991</b>	<b>63,901</b>	<b>2,112</b>	<b>93</b>	<b>(8,972)</b>	<b>57,134</b>

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

# Greenlane Renewables Inc.

## Condensed Consolidated Interim Statements of Cash Flows For the nine months ended September 30, 2021 and 2020 (Unaudited)

(Expressed in thousands of Canadian dollars)

	<b>Nine months ended September 30, 2021</b>	<b>Nine months ended September 30, 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(1,255)	(1,290)
Adjustments for non-cash items		
Unrealised foreign exchange (gain) loss	164	(58)
Depreciation and amortization	1,174	1,142
Finance expense	78	395
Share-based compensation	754	210
Other income	(209)	(1,777)
	<u>706</u>	<u>(1,378)</u>
Other adjustments		
Changes in current assets	(2,701)	(3,609)
Changes in current liabilities	6,173	827
Changes in contract assets and liabilities	(9,018)	(430)
Restricted cash	(1,599)	-
Interest paid on leases	(31)	(43)
	<u>(6,470)</u>	<u>(4,633)</u>
<b>Cash used in operating activities</b>		
<b>Investing activities</b>		
Purchase of property and equipment	(75)	(36)
Purchase of intangible assets	(12)	-
	<u>(87)</u>	<u>(36)</u>
<b>Cash used in investing activities</b>		
<b>Financing activities</b>		
Proceeds from issuance of shares and warrants	26,452	11,500
Share issuance costs	(2,007)	(1,156)
Proceeds from options, restricted share units and warrants exercised	7,487	1,648
Payments on promissory note	(6,041)	(3,614)
Lease payments	(208)	(236)
	<u>25,683</u>	<u>8,142</u>
<b>Cash generated by financing activities</b>		
<b>Increase in cash and cash equivalents</b>	19,126	3,473
<b>Cash and cash equivalents – Beginning of period</b>	<u>16,442</u>	<u>2,269</u>
<b>Cash and cash equivalents – End of period</b>	<u>35,568</u>	<u>5,742</u>

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

# **Greenlane Renewables Inc.**

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021 and 2020**

**(Unaudited)**

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

### **1 Nature of operations**

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

### **2 Basis of presentation**

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 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. The restricted cash represents a cashable term deposit held by TD Canada Trust as security for a letter of credit related to one customer.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 9, 2021. Certain of the comparative period figures, including the presentation of expense categories within the Statement of Operations and geographic areas within the segmented information note, have been reclassified to conform to the current period’s presentation for more relevant information.

### **3 Key sources of estimation uncertainty**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The judgements made by management in applying the Company’s accounting policies and key sources of estimation uncertainty are consistent with those reported in the December 31, 2020 annual audited financial statements.

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

### 4 Contract balances

	Balance at December 31, 2020	Revenue Recognized	Progress Billings	Balance at September 30, 2021
	\$	\$	\$	\$
Contract Assets	2,518	32,927	(24,705)	10,740
Contract Liabilities	(1,661)	3,154	(2,370)	(877)
	<u>857</u>	<u>36,081</u>	<u>(27,075)</u>	<u>9,863</u>

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 quarter and the contract balances at September 30, 2021 primarily relates to fifteen projects.

### 5 Accounts payable and accrued liabilities

	September 30, 2021	December 31, 2020
	\$	\$
Accounts payable	561	670
Accrued liabilities	1,885	1,174
Accrued costs related to projects	12,435	6,929
	<u>14,881</u>	<u>8,773</u>

### 6 Promissory note

The promissory note incurred interest at 7% per annum and had a maturity date of June 30, 2021. On February 12, 2021, the promissory note was repaid early, in full, including interest and principal.

	Balance \$
<b>Balance, December 31, 2020</b>	5,957
Interest accrual	47
Foreign exchange movement	37
Repayments	(6,041)
<b>Balance, September 30, 2021</b>	<u>-</u>

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

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

### 7 Share capital

#### Common shares

At September 30, 2021, the Company had unlimited authorized common shares without par value and 150,138,991 common shares issued and outstanding (December 31, 2020 – 114,681,456).

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

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

During the nine months ended September 30, 2021, 990,316 options were exercised, and the fair value of \$0.2 million was transferred from contributed surplus to share capital; 62,666 restricted share units (RSUs) were exercised, and the fair value of \$0.03 million was transferred from contributed surplus to share capital; and 22,214,553 warrants were exercised, and the fair value of \$0.8 million was transferred from contributed surplus to share capital.

#### Warrants outstanding

At September 30, 2021, the Company had 0.7 million warrants outstanding (December 31, 2020 – 22.4 million), as follows:

<b>Warrant exercise price</b>	<b>\$0.26</b>	<b>\$0.70</b>	<b>\$2.17</b>	<b>Total</b>
Expiry	June 3, 2021	Feb 19, 2021	Jan 27, 2022	
<b>Number of warrants, December 31, 2020</b>	19,698,147	2,655,600	-	22,353,747
Granted	-	-	731,400	731,400
Exercised	(19,587,383)	(2,590,600)	(36,570)	(22,214,553)
Cancelled	(110,764)	(65,000)	-	(175,764)
<b>Number of warrants, September 30, 2021</b>	-	-	<b>694,830</b>	<b>694,830</b>
<b>Cash proceeds from exercise</b>	<b>\$5,093</b>	<b>\$1,813</b>	<b>\$79</b>	<b>\$6,985</b>



# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

During the nine month period ended September 30, 2021, a total of 22.2 million warrants were exercised for \$7.0 million (September 30, 2020: 5,166,265 warrants for \$1.3 million). The fair value associated with the warrant exercises of \$0.8 million was transferred from contributed surplus to share capital (September 30, 2020: \$0.2 million). On expiry of the \$0.70 warrants on February 19, 2021, and \$0.26 warrants on June 3, 2021, 65,000 and 110,764 warrants, respectively, remained unexercised and were cancelled.

### Omnibus Incentive Plan

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

The Omnibus Incentive Plan is a rolling plan where the Company is entitled to issue options and RSUs in respect of a maximum number of common shares equal to 10% of the issued and outstanding common shares, less the aggregate number of common shares issuable under the existing Legacy Option Plan and Legacy RSU Plan. At September 30, 2021 stock options and RSUs issued under both the legacy plans and new Omnibus Incentive Plan represented 4.2% 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.

### Stock Options

A summary of the Company’s stock options outstanding, under both the Omnibus Incentive Plan and the Legacy Option Plan, for the nine months ended September 30, 2021, including options granted to agents is as follows:

	Number of options	Weighted average exercise price \$
<b>Balance, December 31, 2020</b>	5,241,984	0.27
Granted	1,041,970	1.75
Exercised	(990,316)	0.36
Forfeited	(171,667)	1.66
<b>Balance, September 30, 2021</b>	<u>5,121,971</u>	<u>0.52</u>

At September 30, 2021, 3,232,584 options were exercisable (December 31, 2020 – 3,604,650).

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021 and 2020 (Unaudited)

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

The following table summarizes information about stock options outstanding as at September 30, 2021:

<b>Exercise price</b>	<b>Number outstanding</b>	<b>Weighted average remaining life in years</b>
\$0.10	675,000	7.09
\$0.20	2,496,334	2.69
\$0.39	142,000	3.91
\$0.50	686,667	3.65
\$0.74	225,000	4.07
\$1.68	371,970	4.64
\$1.72	455,000	4.88
\$1.94	70,000	4.46

There were three option grants during the nine month period ended September 30, 2021. The fair value of the stock options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

<b>Grant date</b>	<b>March 16, 2021</b>	<b>May 21, 2021</b>	<b>August 17, 2021</b>
Number of options granted	190,000	381,970	470,000
Exercise price	\$1.94	\$1.68	\$1.72
Fair value per option	\$1.26	\$1.07	\$1.07
Risk-free rate	0.21%	0.21%	0.27%
Expected volatility	99.67%	97.05%	94.29%
Expected life in years	3.5	3.5	3.5
Expected dividend yield	-	-	-

The Company recognized share-based compensation expense relating to stock options of \$0.4 million during the nine months ended September 30, 2021 (September 30, 2020: \$0.1 million).

### Restricted Share Unit Plan

A summary of the Company's RSUs outstanding under both the Legacy RSU Plan and the Omnibus Incentive Plan for the nine months ended September 30, 2021, is as follows:

	<b>Number of RSUs</b>
<b>Balance, December 31, 2020</b>	960,038
Granted	348,420
Exercised	(62,666)
<b>Balance, September 30, 2021</b>	<u>1,245,792</u>

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

In January 2021, the Company granted 130,414 RSUs to non-executive directors with vesting after one year and a fair value of \$0.3 million. In May 2021, the Company granted another 218,006 RSUs to the management team with vesting over 3 years and a fair value of \$0.4 million. The fair value per RSU was determined based on the Company's share price on the grant date with no adjustments for dividend yield or other terms and conditions. The Company recognized share-based compensation expense of \$0.4 million during the nine months ended September 30, 2021, related to RSUs (September 30, 2020: \$0.1 million).

### 8 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 key management personnel compensation for the three and nine months ended September 30, 2021 and 2020 is outlined below:

	Three months ended September 30, 2021 \$	Three months ended September 30, 2020 \$	Nine months ended September 30, 2021 \$	Nine months ended September 30, 2020 \$
Non-executive Directors fees (excluding share-based compensation)	128	-	279	-
Salaries	258	134	770	404
Share-based compensation	122	83	386	92
	<u>508</u>	<u>217</u>	<u>1,435</u>	<u>496</u>

In February 2021, the Company settled all amounts due to the former parent company of PT Biogas Holdings Limited ("PT Biogas"), relating to the acquisition of PT Biogas by the Company in June 2019, including the outstanding promissory note and accrued interest (\$6.0 million, Note 6) and intercompany invoices (\$0.4 million).

### 9 Segmented information

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

# Greenlane Renewables Inc.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited)

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

	<b>Three months ended September 30, 2021 \$</b>	<b>Three months ended September 30, 2020 \$</b>	<b>Nine months ended September 30, 2021 \$</b>	<b>Nine months ended September 30, 2020 \$</b>
System sales	12,666	5,812	36,081	11,608
Aftercare sales	773	692	2,146	2,067
	<u>13,439</u>	<u>6,504</u>	<u>38,227</u>	<u>13,675</u>

The Company primarily operates in the Americas and Europe and generates revenue from various regions internationally, as shown below.

	<b>Three months ended September 30, 2021 \$</b>	<b>Three months ended September 30, 2020 \$</b>	<b>Nine months ended September 30, 2021 \$</b>	<b>Nine months ended September 30, 2020 \$</b>
<b>System sales revenue</b>				
United States	10,932	3,685	31,632	6,423
Europe	1,387	-	2,572	-
Other	347	2,127	1,877	5,185
	<u>12,666</u>	<u>5,812</u>	<u>36,081</u>	<u>11,608</u>
<b>Aftercare services</b>				
United States	11	41	101	157
Europe	753	643	1,854	1,813
Other	9	8	191	97
	<u>773</u>	<u>692</u>	<u>2,146</u>	<u>2,067</u>
<b>Total revenue</b>				
United States	10,943	3,726	31,733	6,580
Europe	2,140	643	4,426	1,813
Other	356	2,135	2,068	5,282
	<u>13,439</u>	<u>6,504</u>	<u>38,227</u>	<u>13,675</u>

The Company had three customers that each accounted for 10% or more of total revenue during the nine months ended September 30, 2021. These customers accounted for 22%, 20% and 11% of total revenue.

# **Greenlane Renewables Inc.**

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021 and 2020**

**(Unaudited)**

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

### **10 Financial instruments**

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

The Company's financial assets and financial liabilities are measured and/or disclosed at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's policy is to recognize transfers in and out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period ended September 30, 2021.

At September 30, 2021, the carrying amounts of cash and cash equivalents, accounts receivables, other receivables, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.