

Greenlane Renewables Inc.
(formerly Creation Capital Inc.)

Condensed Consolidated Interim Financial
Statements
(Unaudited)

**Three and nine months ended
September 30, 2019, three months
ended September 30, 2018 and period
from February 15, 2018 to September
30, 2018**

(in thousands of Canadian dollars)

Greenlane Renewables Inc.
(formerly Creation Capital Corp.)
Condensed Consolidated Interim Statements of Financial Position
Unaudited

(Expressed in thousands of Canadian dollars)

	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,349	525
Accounts receivable (note 4)	3,032	-
Inventory (note 5)	234	-
Prepaid expenses and other receivables	1,417	4
	<hr/>	<hr/>
	7,032	529
Property, plant and equipment (note 6)	981	-
Intangible assets (note 7)	9,112	-
Goodwill (note 3)	11,534	-
	<hr/>	<hr/>
	28,659	529
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	5,612	91
Contract liabilities (note 9)	1,103	-
Lease liability, current portion (note 6)	182	-
Warranty liability, current portion (note 10)	875	-
	<hr/>	<hr/>
	7,772	91
Lease liability, non-current portion (note 6)	669	-
Warranty liability, non-current portion (note 10)	175	-
Promissory note (note 11)	10,506	-
Special warrants convertible to equity (note 12)	205	-
Deferred tax liability (note 3)	1,025	-
	<hr/>	<hr/>
	20,352	91
Shareholders' Equity		
Share capital (note 13)	12,007	550
Contributed surplus	546	81
Accumulated other comprehensive loss	(27)	-
Deficit	(4,219)	(193)
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	8,307	438
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	28,659	529

Nature of operations and going concern (Note 1)

Subsequent event (Note 12)

Approved by the Board of Directors

"Brad Douville" Director "David Blaiklock" Director

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

Greenlane Renewables Inc.

(formerly Creation Capital Corp.)

Condensed Consolidated Interim Statement of Operations

(Unaudited)

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period February 15 to September 30, 2018
	\$	\$	\$	\$
Revenue	4,956	-	5,867	-
Cost of goods sold	(3,688)	-	(4,164)	-
Gross profit	1,268	-	1,703	-
General and administrative	(2,704)	(9)	(3,520)	(22)
Operating (loss)	(1,436)	(9)	(1,817)	(22)
Other income (expenses):				
Finance expense	(198)	-	(237)	-
Change in fair value of special warrants (note 12)	249	-	194	-
Transaction costs related to Qualifying Transaction and issuance of Special Warrants	(350)	-	(2,277)	-
Foreign exchange (loss) gain	(15)	-	111	-
Loss before taxes and net (loss)	(1,750)	(9)	(4,026)	(22)
Net loss per share attributable to equity holders of Greenlane Renewables Inc.				
Basic and diluted (loss) per share	(0.04)	(0.00)	(0.22)	(0.00)
Weighted average numbers of shares	43,487,737	4,000,000	18,015,648	4,000,000

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

Greenlane Renewables Inc.

(formerly Creation Capital Corp)

Condensed Consolidated Interim Statement of Comprehensive Loss

(Unaudited)

(in thousands of Canadian dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period February 15 to September 30, 2018
	\$	\$	\$	\$
Net loss	(1,750)	(9)	(4,026)	(22)
Other comprehensive Income (loss)				
Item that may be subsequently reclassified to net income:				
Foreign currency translation adjustment	(8)	-	(27)	-
Total other comprehensive (loss)	(8)	-	(27)	-
Total comprehensive (loss)	(1,758)	(9)	(4,053)	(22)

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

Greenlane Renewables Inc.

(formerly Creation Capital Corp.)

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

For the period from February 15, 2018 (date of incorporation) to September 30, 2019

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

	Share capital (number of shares)	Share capital \$	Contributed surplus \$	Accumulated comprehensive loss \$	Deficit \$	Total \$
Private placement on incorporation February 15, 2018	4,000,000	200	-	-	-	200
Net loss for the period	-	-	-	-	(22)	(22)
Balance – September 30, 2018	4,000,000	200	-	-	(22)	178
Initial public offering (IPO) – net of issue costs	5,000,000	372	-	-	-	372
Options issued to agent in conjunction with IPO	-	(22)	22	-	-	-
Share-based payments	-	-	59	-	-	59
Net loss for the period	-	-	-	-	(171)	(171)
Balance – December 31, 2018	9,000,000	550	81	-	(193)	438
Additional IPO costs	-	(20)	-	-	-	(20)
Agent options issued on special warrants (note 12)	-	-	195	-	-	195
Share-based compensation expense (note 16)	-	-	270	-	-	270
Options exercised	6,500	1	-	-	-	1
Conversion of special warrants	58,383,225	11,476	-	-	-	11,476
Currency translation adjustment	-	-	-	(27)	-	(27)
Net loss for the period	-	-	-	-	(4,026)	(4,026)
Balance – September 30, 2019	67,389,725	12,007	546	(27)	(4,219)	8,307

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

Greenlane Renewables Inc.

(formerly Creation Capital Corp.)

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	February 15 to September 30, 2018 \$
Cash provided by (used in)				
Operating activities				
Loss for the period	(1,750)	(9)	(4,026)	(22)
Adjustments for non-cash items				
Foreign exchange (gain) loss	15	-	(111)	-
Gain on change in fair value of special warrants	(249)	-	(194)	-
Depreciation and amortization	398	-	477	-
Deferred finance costs	113	(32)	-	(65)
Finance expenses	198	-	237	-
Transaction costs related to Qualifying Transaction and issuance of Special Warrants	(308)	-	1,274	-
Share-based compensation	214	-	465	-
	(1,369)	(41)	(1,878)	(87)
Other adjustments				
Changes in current assets	(1,477)	-	(1,924)	-
Changes in current liabilities	1,852	31	2,149	51
Changes in construction contract position	(648)	-	(1,175)	-
	(1,642)	(10)	(2,828)	(36)
Investing activities				
Purchase of plant and equipment	(30)	-	(30)	-
Cash consideration paid for PT Biogas Holdings Limited, net	-	-	(2,215)	-
	(30)	-	(2,245)	-
Financing activities				
Transaction costs	-	-	(20)	-
Net proceeds from private placement	-	-	6,916	200
	-	-	6,896	200
Increase/(decrease) in cash	(1,672)	(10)	1,824	164
Cash – Beginning of period	4,021	174	525	-
Cash – End of period	2,349	164	2,349	164

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

Greenlane Renewables Inc.

(formerly Creation Capital Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited) September 30, 2019

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

1 Nature of operations and going concern

Greenlane Renewables Inc (formerly Creation Capital Corp.) (Greenlane or the Company) was incorporated under the British Columbia Business Corporations Act on February 15, 2018. The Company was classified as a Capital Pool Company as defined in the TSX Venture Exchange (the Exchange) Policy 2.4. The principal business of the Company was the identification and evaluation of a Qualifying Transaction (QT) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

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.

On April 1, 2019, the Company entered into a share purchase agreement (the Share Purchase Agreement) with Pressure Technologies plc (Pressure Technologies), a United Kingdom company listed on the AIM market of the London Stock Exchange, to acquire its wholly-owned subsidiary PT Biogas Holdings Limited, trading as Greenlane Biogas (the Acquisition). The Acquisition constituted the Company's QT. On May 30, 2019, the Company completed a private placement of subscription receipts for gross proceeds of \$8.4 million, which were partially used to fund the Acquisition. On June 3, 2019 the Company completed the Acquisition and changed its name from Creation Capital Corp. to Greenlane Renewables Inc.

These condensed consolidated interim financial statements reflect the business of Creation Capital Corp. for all periods shown and the business and operations of Greenlane only from June 3, 2019. Following the acquisition of Greenlane on June 3, 2019 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.

These condensed consolidated interim financial statements have been prepared by management using generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In the nine months ended September 30, 2019, the Company incurred an operating loss of \$1.8 million and had operating cash outflow of \$2.8 million. As of September 30, 2019, the Company has a working capital deficit (including cash) of \$0.7 million. The continuing operations of the Company are dependent upon its ability to continue to secure upgrader contracts to realize profitable operations in the future. Contract awards are dependent on customer-related factors such as specifying system design, securing project funding and permitting, and government-related factors such as the availability of environmental subsidies. There can be no assurance that management will be successful in securing these upgrader contracts. Consequently, the timing of contract awards can be delayed longer than expected. In the event that upgrader contract awards are not secured or delayed and as a result, cash flow from operations does not adequately support the fixed costs of the Company, the Company may then be required to re-evaluate its planned expenditures and may require future financings in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations. These

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Notes to Condensed Consolidated Interim Financial Statements

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conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern. These adjustments may be material. The nine month comparative information for 2018 in the consolidated statement of operations and comprehensive loss and the consolidated statement of cash flows reflects the period from the date of incorporation on February 15, 2018 to September 30, 2018.

2 Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all of the information required for annual statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, as they follow the same accounting policies and methods of application, unless otherwise indicated.

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.

As a result of the QT the Company has implemented additional accounting policies, as further described below.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 27, 2019.

Use of estimates and judgments

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.

Significant areas requiring the use of estimates include the collectability of accounts receivable, valuation of inventory, the useful lives and recoverability of long-lived assets, the annual assessment of impairment of goodwill, percentage of completion of upgrader contracts, warranty provisions, special warrant liability and determining the fair value of assets acquired and liabilities assumed when accounting for a business combination. Actual results could differ from those estimates.

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Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company uses critical accounting judgments in accounting for business combinations, special warrants and share-based compensation.

Intangible assets

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

The intangible assets are being amortized over 7 years and 10 months, being the period over which the patents are currently held. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists intangible assets are subject to impairment testing as described in "Impairment of assets" below.

Property, plant and equipment

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

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

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

Impairment of assets

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

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

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

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

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

Financial instruments

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

The Company adopted IFRS 9, Financial Instruments, on its incorporation.

a) *Financial assets: classification and measurement*

The Company classifies its financial assets in the following measurement categories:

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

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

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

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Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- i) **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- ii) **Fair value through OCI (FVOCI):** Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the respective asset's cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest rate method.
- iii) **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of loss and comprehensive loss in the period in which it arises.

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

b) *Financial liabilities*

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company's special warrants are classified as financial liabilities at FVTPL.

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

At present, the Company classifies accounts payable and accrued liabilities, warranty liability, and promissory note as held at amortized cost.

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Notes to Condensed Consolidated Interim Financial Statements

(Unaudited) September 30, 2019

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

c) *Equity*

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

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

Cash and cash equivalents

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

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

Inventories

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

Leases

The Company adopted IFRS 16, Leases, on acquisition of PT Biogas Holdings Limited on June 3, 2019, prior to this date the Company did not hold any leases. In accordance with IFRS 16, leases of assets that confer a right to use in exchange for payment over a term exceeding 12 months are recognized as an asset and liability at the commencement of the lease contract.

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

Separate components are identified but the Company applies a practical expedient and does not separate lease components and non-lease components when they are inseparable from the contracts.

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

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Notes to Condensed Consolidated Interim Financial Statements

(Unaudited) September 30, 2019

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Provisions, contingent assets and contingent liabilities

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

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

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

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

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

Revenue recognition

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

a) Upgrader Contracts

Contract revenue for biogas upgrader projects is recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognized over the period of the contract by reference to the stage of completion of each contract. The stage of completion of a contract is determined by internal estimates,

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with reference to the proportion of costs incurred and the proportion of work performed. Revenue is recognized in proportion to the total revenue expected on the contract.

Prior to this recognition, stage payments received from customers and made to suppliers are recorded in the statement of financial position as contract assets and contract liabilities as appropriate.

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

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

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

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

b) Aftercare Services

The Company generates additional revenue from after-sales service and maintenance. Revenue on these maintenance and service agreements is recognized in accordance with IFRS 15. Revenue is recognized on a straight line basis over the term of the maintenance or service agreement.

Finance income and costs

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

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

General and administrative expenses

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

Basis of consolidation

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

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

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

The Company's subsidiaries comprise PT Biogas Holdings Limited, Greenlane Biogas North America Limited, PT Biogas Technology Limited, Greenlane Biogas Europe Limited and Greenlane Biogas UK Limited which are wholly owned. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains and losses on transactions between different entities within the Company are eliminated.

Business Combinations

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

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

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

Foreign currency translation

a) Functional and presentation currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency).

Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. For the Company, the functional currency is Canadian dollar. The subsidiary companies have the following functional currencies: Greenlane Biogas North America Limited the functional currency is Canadian dollar, PT Biogas Holdings Limited, PT

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Biogas Technologies Limited and Greenlane Biogas UK Limited the functional currency is British pounds sterling and for Greenlane Biogas Europe Limited the functional currency is Euros.

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

The consolidated financial statements are presented in Canadian dollars.

b) Transactions and balances

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

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

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

Income taxes

(a) Income tax:

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the periods ended September 30, 2019 and 2018 is 0%, as entity has incurred net losses in related periods.

(b) Deferred tax:

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

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither accounting profit nor taxable profit or loss; and
- Temporary differences related to investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Pension contributions are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

Segment reporting

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

The Company has one operating segment.

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3 Business combination and qualifying transaction

On June 3, 2019, the Company acquired the alternative energy division of Pressure Technologies through the purchase of all of the outstanding shares of PT Biogas Holdings Limited for a price of \$17.4 million (£10.1 million), after adjustments for working capital. The Acquisition has been accounted for as a business combination using the acquisition method and the business has been consolidated from the date of acquisition.

The consideration paid by the Company to Pressure Technologies at the date of acquisition was as follows:

	\$
Cash	3,415
Issuance of special warrants	3,484
Issuance of promissory note	<u>10,497</u>
	<u>17,396</u>

The issuance of the special warrants and promissory note to Pressure Technologies to the value of \$14.0 million were non-cash items.

The preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

	\$
Cash and cash equivalents	1,201
Accounts receivables	1,173
Other current assets	439
Inventory	237
Other non-current assets	133
Right of use asset	716
Intangible assets with a defined life	9,517
Trade payables and other current liabilities	(4,454)
Contract liabilities	(1,340)
Deferred tax liability	(1,044)
Lease liabilities	<u>(716)</u>
Identifiable net assets of business acquired	5,862
Goodwill	<u>11,534</u>
	<u>17,396</u>

Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values and represents the value attributable to management strength and experience of developing, selling and maintaining biogas upgrading facilities. The fair value allocated to tangible and intangible assets acquired and liabilities assumed is based on assumptions of management. The fair value of intangible assets acquired was calculated using level 3 unobservable inputs. The estimated fair value was calculated using a weighted average of market approach and income approach (royalty

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method). The market approach was based on publicly available similar intellectual property valuations, made as part of the sale transactions in comparable acquisitions. The assumptions used in the income approach include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks.

Since the date of Acquisition, the Company has recognized \$5.9 million of revenue and \$3.9 million loss in the statement of operations and comprehensive loss. The loss includes \$2.1 million of non-recurring expenses mainly comprising issue costs of, and fair value adjustments to, the special warrants and expenses of the QT.

The revenue and loss for the combined entity for the period ended September 30, 2019 assuming the Acquisition had occurred on January 1, 2019 is \$7.9 million and \$6.8 million, respectively. The loss includes \$2.1 million of non-recurring expenses as described in the previous paragraph.

4 Accounts receivable

	September 30, 2019	December 31, 2018
	\$	\$
Receivables due within normal terms of payment	2,521	-
Past due receivables	573	-
	<hr/> 3,094	<hr/> -
Allowance for expected credit losses	(62)	-
	<hr/> (62)	<hr/> -
Accounts receivables, net of allowance for expected credit losses	<hr/> 3,032	<hr/> -

5 Inventory

Inventory consists of spare parts required to maintain upgrader plants. Cost of goods sold includes \$0.3 million related to spare parts.

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6 Property, plant and equipment

Property, plant and equipment can be broken down into property plant and equipment and right-of-use assets related to the Company office leases.

	\$
Property, plant and equipment	143
Right-of-use assets	838
	<hr/>
	981
	<hr/>

Property plant and equipment comprises office equipment such as IT and office furniture and site related equipment such as tools and gas measuring devices.

	\$
Cost	
Balance at December 31, 2018	-
Additions	163
Disposals	-
	<hr/>
Balance at September 30, 2019	163
	<hr/>
Accumulated depreciation	
Balance at December 31, 2018	-
Additions	20
Disposals	-
	<hr/>
Balance at September 30, 2019	20
	<hr/>
Net book value	
At September 30, 2019	143
At December 31, 2018	-
	<hr/>

Right-of-use assets and lease liability

On adoption of IFRS 16, the Company recognized a right-to-use asset and lease liability in relation to an office lease of Greenlane's headquarters in Burnaby, British Columbia, which it assumed as part of its QT (note 3).

On the September 30, 2019 the Company recognized a right-to-use asset and lease liability in relation to an office lease of the Company's UK operations in Sheffield, UK.

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

The incremental borrowing rate applied was 7% per annum.

Building leases	Right of use assets \$	Lease liability \$
Balance at June 3, 2019 (note 3)	716	716
Additions	174	174
Depreciation	(52)	-
Lease payment	-	(55)
Interest expense	-	16
	<hr/>	<hr/>
Carrying value at September 30, 2019	838	851
		<hr/>
Current portion of lease liabilities		182
Non-current portion of lease liabilities		669

The lease for the Company's headquarters in Burnaby, British Columbia, has a remaining term of four years and future payments are presented in the following table:

	\$
Year 1	191
Year 2	191
Year 3	196
Year 4	196

The lease for the Company's UK office in Sheffield, United Kingdom, has a remaining term of five years and future payments are presented in the following table:

	\$
Year 1	43
Year 2	43
Year 3	43
Year 4	43
Year 5	43

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7 Intangible assets

The Company's definite life intangible assets represent the patents, trademarks, design and other intellectual property acquired as part of the Company's QT (note 3). The individual assets are not able to be separated and valued individually. Amortization is based on the life of the patents which is identifiable.

	Patents, trademarks and design \$
Cost	
Balance at December 31, 2018	-
Additions	9,517
	<hr/>
Balance at September 30, 2019	9,517
	<hr/>
Accumulated amortization	
Balance at December 31, 2018	-
Additions	405
	<hr/>
Balance at September 30, 2019	405
	<hr/>
Net book value	
At September 30, 2019	9,112
At December 31, 2018	-

8 Accounts payable and accrued liabilities

	September 30, 2019 \$	December 31, 2018 \$
Accounts payable	1,804	91
Accrued liabilities	1,014	-
Accrued costs related to projects	2,794	-
	<hr/>	
	5,612	91
	<hr/>	

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9 Contract liabilities

Contract liabilities of \$1.1 million at September 30, 2019 (December 31, 2018: nil) relate to four projects where billings have been invoiced to customers that have not yet been recognised in revenue

10 Warranty liabilities

The Company provides a warranty following the sale of certain products. As a consequence, the Company has recorded a provision for future warranty claims. Warranty periods vary between products but are typically one to two years from completion of installation. The provision is based on management's best estimate of future claims, taking account of historical experience and knowledge of the installations covered by the warranty. There have been charges of \$0.1 million against the provision and no unwinding of the provision in the nine months ended September 30, 2019. As the warranties are short-term in nature, no discounting has been assumed.

	\$
Balance at December 31, 2018	-
Provision assumed on completion of QT	1,113
Charges against provision	(63)
	<hr/>
Balance at September 30, 2019	1,050
Less: Current portion	<hr/> (875)
Non-current portion	<hr/> 175

11 Promissory note

As part of the consideration for the Acquisition (note 3), the Company issued a promissory note in the amount of £6.1 million, denominated 50% in British pounds sterling and 50% in Canadian dollars. The Canadian dollar component was fixed at an amount of \$5.3 million. The promissory note bears interest at 7% per annum and matures on June 3, 2023. There are no principal or interest payments required prior to maturity unless Pressure Technologies subordinates its security for certain financings, in which case the Company will be required to pay interest on a current basis. The promissory note is secured by a pledge of all of the issued and outstanding ordinary shares and all of the assets of PT Biogas Holdings Limited.

The movement in the period from June 3 to September 30, 2019 is due to foreign exchange movements on 50% of the note denominated in British pounds.

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12 Subscription receipts and special warrants

On May 30, 2019, the Company completed a private placement (the “Financing”) of an aggregate of 41,965,225 subscription receipts at \$0.20 per subscription receipt for gross proceeds of \$8.4 million.

Each subscription receipt automatically converted, upon satisfaction of the escrow release conditions, into one special warrant on June 3, 2019. In addition, in connection with the QT, the Company issued 17,418,000 special warrants to Pressure Technologies. On August 9, 2019, 58,383,225 special warrants automatically converted, without the payment of any additional consideration and without further action on the part of the holder thereof, into one common share and one-half of one warrant after the Company filed qualifying prospectuses, and the associated special warrant liability (\$11.5 million), which had previously been recorded as a liability, was transferred to equity. A remaining 1,000,000 special warrants issued to Beacon Securities Limited (“Beacon Securities”), was not qualified for distribution by the prospectus and remained in liabilities at September 30, 2019.

Each full warrant may be exercised for one common share of the Company at a price of \$0.26 until June 3, 2021.

The special warrants were convertible instruments which, upon conversion, resulted in another convertible instrument (the warrant) being issued. As a result, the special warrants did not meet the definition of equity, as defined in IAS 32 Financial Instruments, and instead were recognized as a financial liability measured at fair value through profit and loss. The Company recorded a non-cash gain of \$0.2 million related to the special warrants, based primarily on changes in the market price of the Company’s common shares, from the date of issuance to conversion on August 9, 2019. In addition, the classification of the special warrants initially as financial liabilities required issuance costs of \$1.9 million to be expensed in the consolidated statement of operations, rather than being deducted from equity.

The Company paid commissions and other fees and expenses to brokers of \$0.8 million and issued 2,537,350 agents’ options. Each agent option gives the holder the right to purchase one common share for \$0.20 and the agents’ options expire May 30, 2021 (note 16).

The Company received net proceeds of \$6.9 million from the Financing after deducting cash expenses of \$1.5 million.

Subsequent to September 30, 2019, on October 1, 2019, the 1,000,000 special warrants issued to Beacon Securities automatically converted into one common share and one warrant.

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13 Share capital

At September 30, 2019, the Company had unlimited authorized common shares without par value and 67,389,725 common shares issued and outstanding (December 31, 2018 – 9,000,000)

On August 9, 2019 40,965,225 special warrants (note 12) issued on completion of the May 30, 2019 private placement, converted into common shares. On the same day, 17,418,000 special warrants issued to Pressure Technologies in connection with the QT converted into common shares.

On July 18, 2019, 6,500 \$0.10 options were exercised, and the fair value of the options (\$290) was transferred from contributed surplus to share capital.

At September 30, 2019, the Company had 18.9 million shares held in escrow, which are expected to be released from escrow, as follows:

	Number of options 000's
December 6, 2019	2,993
June 6, 2020	5,518
December 6, 2020	6,302
On repayment of promissory note	4,093
	18,906

In addition, 4.3 million shares are held by Pressure Technologies under a right to direct sales agreement, under which the Company has the option to direct Pressure Technologies to sell shares to directors and employees of the Company for \$0.60 per share. The right to direct expires June 3, 2021.

Warrants outstanding

At September 30, 2019, the Company had 29,191,612 warrants outstanding (December 31, 2018 nil), with an exercise price of \$0.26 and expiry of June 3, 2021. The warrants were issued on August 9, 2019 in connection with the May 30, 2019 financing (note 12).

14 Credit facilities

The Company has an irrevocable letter of guarantee facility of \$2.5 million (December 31, 2018; nil) with TD Canada Trust which is guaranteed by Export Development Canada. The facility is used to provide advance payment and performance guarantees to certain customers. At September 30, 2019 \$2.5 million of the facility was fully utilized.

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15 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 compensation paid to these key management personnel for the nine months ended September 30, 2019 and 2018 is outlined below:

	Three months ended September 30, 2019	Nine months ended September 30, 2019	Three months ended September 30, 2018	Period from February 15 to September 30, 2018
	\$	\$	\$	\$
Salary and management fees	101	134	-	-
Share-based compensation	181	237	-	-
	<u>282</u>	<u>371</u>	<u>-</u>	<u>-</u>

The Company owes Pressure Technologies, the former parent company of PT Biogas Holdings Limited, \$0.7 million relating to intercompany invoices, issued prior to the QT and \$10.5 million for the promissory note (note 11).

16 Stock options

The Company has a stock option plan whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date and vesting conditions to be determined by the Board of Directors. The maximum term to expiry is 10 years from the date of grant. All options are equity settled. The stock option plan provides for the issuance of up to 10% of the issued and outstanding common shares at the date of grant.

Summary of the Company's stock options outstanding for the nine months ended September 30, 2019, including options granted to agents:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2018	1,175,000	0.10
Granted in the period	5,687,350	0.20
Exercised in the period	(6,500)	0.10
	<u>6,855,850</u>	<u>0.18</u>

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At September 30, 2019 3,771,235 options were exercisable (December 31, 2018 – 1,175,000). Included in the 6,855,850 options outstanding at September 30, 2019 were 3,030,850, options held by Agents.

The following table summarizes information about stock options outstanding as at September 30, 2019:

Exercise price	Number outstanding \$	Weighted average remaining life in years \$
\$0.10	1,168,500	5.8
\$0.20	5,687,350	3.3

As part of the issuance costs of the special warrants, the Company issued 2,537,350 options to agents. The fair value of the agents' options at the grant date was estimated at \$0.2 million using the Black-Scholes option pricing model, applying the following assumptions:

Risk-free rate	1.37%
Expected volatility	69%
Expected life in years	2.5
Expected dividend yield	-

On June 3, 2019, 3,150,000 options were issued at a weighted average intrinsic price of \$0.125 per option. The value of the stock options issued in the period was estimated using the Black-Scholes option pricing model using the following assumptions:

Risk-free rate	1.34%
Expected volatility	92.7%
Expected life in years	3.5
Expected dividend yield	-

At September 30, 2019 stock options issued represented 5.6% of issued and outstanding common share capital (excluding options issued to agents). The estimated aggregate fair value of the options granted during the nine months ended September 30, 2019 was \$587,553. The Company recognized share-based compensation expense of \$465,655 for the nine months ended September 30, 2019 (2018 – \$nil), including \$194,690 relating to the agent options issued on special warrants.

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17 Segmented information

The Company has one operating segment, which is further broken down into two revenue streams, upgrader projects and aftercare service:

	Three months ended September 30,		Nine months ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
Upgrader projects	4,023	-	4,631	-
Aftercare services	933	-	1,236	-
	4,956	-	5,867	-

The Company operates in North America and Europe and generates revenue from various countries internationally. The Company's property and equipment are located in British Columbia, Canada and in the United Kingdom. In presenting the following information, revenue is based on the geographic location of customers and property and equipment are based on the geographic location of the assets.

	Three months ended September 30,		Nine months ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
Upgrader projects revenue				
North America	4,023	-	4,631	-
Europe	-	-	-	-
	4,023	-	4,631	-
Aftercare services revenue				
North America	128	-	170	-
Europe	805	-	1066	-
	933	-	1,236	-
Total revenue				
North America	4,151	-	4,801	-
Europe	805	-	1066	-
	4,956	-	5,867	-

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	September 30, 2019	December 31, 2018
	\$	\$
Property and equipment		
Canada	86	-
United Kingdom	57	-
	<hr/>	<hr/>
	143	-
	<hr/>	<hr/>

The Company's intangible assets, net of accumulated amortization, amounting to \$9.1 million, are located in the United Kingdom.

The Company had three customers that each accounted for 10% or more of total revenue during the three months. These customers accounted for 45%, 10% and 10% of total revenue. During the nine months ended September 30, 2019 two customers accounted for 10% or more of total revenue. These customers accounted for 39% and 16% of total revenue.

18 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 following fair value hierarchy reflects the significance of inputs in valuation techniques used in making fair value measurements and/or disclosures.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

The Company's financial assets and financial liabilities, including the promissory note, are measured and/or disclosed at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the nine months ended September 30, 2019.

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At September 30, 2019 and December 31, 2018, 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. The Company's promissory note was measured and recognized in the consolidated statement of financial position at fair value as a level 2 financial instrument. Management determined that the carrying amount of this loan approximates its fair value as there has not been a significant change in the fair value from carrying amount since the date of initial recognition.

a) 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.

b) Foreign exchange rate risk

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

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

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	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
GBP	328	-	3,158	-
Euro	412	-	73	-
US dollar	473	-	257	-
New Zealand dollar	1	-	145	-

The financial liabilities in British pounds sterling include 50% of the promissory note.

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Foreign currency sensitivity analysis

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

	GBP	Euro	US dollar	New Zealand dollar
10% weakening of the Canadian dollar (increase)/decrease the net loss	(512)	54	32	(13)
10% strengthening of the Canadian dollar (increase)/decrease the net loss	419	(44)	(26)	11

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

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

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's only interest bearing financial instrument is the promissory note which carries a fixed rate of interest of 7% per annum.

d) Liquidity and funding 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 (note 1) and raising debt or equity financing in a timely manner.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

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19 Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders (note 1). The capital structure of the Company consists of cash, promissory note and equity comprising issued share capital and earnings.

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

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.