

Greenlane Renewables Inc.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 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	June 30, 2021 \$	December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		36,548	16,442
Accounts receivable		8,603	2,416
Inventory		1,718	1,624
Prepaid expenses and other receivables		520	1,125
Contract assets	4	8,085	2,518
		<u>55,474</u>	<u>24,125</u>
Property and equipment		717	821
Intangible assets		7,091	7,821
Goodwill		<u>10,405</u>	<u>10,405</u>
		<u>73,687</u>	<u>43,172</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	14,995	8,773
Contract liabilities	4	1,190	1,661
Lease liability, current portion		233	225
Warranty liability, current portion		117	121
Promissory note	6	-	5,957
		<u>16,535</u>	<u>16,737</u>
Lease liability, non-current portion		336	461
Warranty liability, non-current portion		-	106
		<u>16,871</u>	<u>17,304</u>
Shareholders' Equity			
Share capital	7	63,880	31,927
Contributed surplus		1,826	1,547
Accumulated other comprehensive income		134	111
Deficit		<u>(9,024)</u>	<u>(7,717)</u>
		<u>56,816</u>	<u>25,868</u>
		<u>73,687</u>	<u>43,172</u>

Approved by the Board of Directors and authorized for issue on August 12, 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 Loss For the three and six months ended June 30, 2021 and 2020 (Unaudited)

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$	\$	\$
Revenue	12,583	4,241	24,788	7,171
Cost of goods sold (excluding amortization)	(9,359)	(3,152)	(18,280)	(4,794)
	3,224	1,089	6,508	2,377
Amortization	(309)	(310)	(623)	(619)
Gross profit	2,915	779	5,885	1,758
General and administration	(1,131)	(469)	(1,996)	(1,413)
Salaries and benefits	(1,939)	(1,106)	(3,669)	(2,092)
Depreciation	(79)	(69)	(155)	(140)
Research and development	(135)	(24)	(220)	(51)
Share-based compensation	(284)	(36)	(459)	(58)
Operating loss	(653)	(925)	(614)	(1,996)
Other income (expenses):				
Finance expense	(10)	(128)	(69)	(294)
Other income	-	-	209	-
Foreign exchange gain (loss)	(414)	113	(833)	257
Net loss	(1,077)	(940)	(1,307)	(2,033)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to net loss:				
Foreign currency translation adjustment	(96)	(428)	23	(327)
Total comprehensive loss	(1,173)	(1,368)	(1,284)	(2,360)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)
Weighted average numbers of shares	144,194,466	91,734,808	137,431,715	85,438,896

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Greenlane Renewables Inc.

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 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 \$	Deficit \$	Total \$
Balance, January 1, 2020	68,435,795	11,282	1,510	152	(5,246)	7,698
Share-based compensation expense	-	-	58	-	-	58
Warrants exercised	71,500	21	(3)	-	-	18
Options exercised	231,680	47	(13)	-	-	34
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	-	-	-	(327)	-	(327)
Net loss for the period	-	-	-	-	(2,033)	(2,033)
Balance, June 30, 2020	91,738,975	20,791	2,455	(175)	(7,279)	15,792
Balance, January 1, 2021	114,681,456	31,927	1,547	111	(7,717)	25,868
Share-based compensation expense	-	-	459	-	-	459
Warrants exercised	22,214,553	7,824	(839)	-	-	6,985
Options and restricted share units exercised	1,027,982	513	(170)	-	-	343
Shares issued	12,190,000	26,452	-	-	-	26,452
Share issuance costs	-	(2,836)	-	-	-	(2,836)
Agent warrants issued	-	-	829	-	-	829
Currency translation adjustment	-	-	-	23	-	23
Net loss for the period	-	-	-	-	(1,307)	(1,307)
Balance, June 30, 2021	150,113,991	63,880	1,826	134	(9,024)	56,816

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 six months ended June 30, 2021 and 2020 (Unaudited)

(Expressed in thousands of Canadian dollars)

	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,307)	(2,033)
Adjustments for non-cash items		
Unrealised foreign exchange (gain) loss	833	(257)
Depreciation and amortization	778	759
Finance expense	69	294
Share-based compensation	459	58
Other income	(209)	-
	<u>623</u>	<u>(1,179)</u>
Other adjustments		
Changes in current assets	(6,405)	(1,925)
Changes in current liabilities	6,288	(304)
Changes in contract assets and liabilities	(6,060)	(156)
Interest paid on leases	(22)	(29)
	<u>(5,576)</u>	<u>(3,593)</u>
Cash used in operating activities		
	<u>(5,576)</u>	<u>(3,593)</u>
Investing activities		
Purchase of property and equipment	(53)	(23)
Cash used in investing activities	<u>(53)</u>	<u>(23)</u>
Financing activities		
Proceeds from issuance of shares and warrants	26,452	11,500
Share issuance costs	(2,007)	(1,156)
Proceeds from options and warrants exercised	7,475	36
Payments on promissory note	(6,041)	(3,614)
Lease payments	(144)	(81)
Cash generated by financing activities	<u>25,735</u>	<u>6,685</u>
Increase in cash and cash equivalents	20,106	3,069
Cash and cash equivalents – Beginning of period	<u>16,442</u>	<u>2,269</u>
Cash and cash equivalents – End of period	<u>36,548</u>	<u>5,338</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 six months ended June 30, 2021 and 2020

(Unaudited)

(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.

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 August 12, 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

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

4 Contract balances

	Balance at December 31, 2020	Revenue Recognized	Progress Billings	Balance at June 30, 2021
	\$	\$	\$	\$
Contract Assets	2,518	20,262	(14,695)	8,085
Contract Liabilities	(1,661)	3,153	(2,682)	(1,190)
	<u>857</u>	<u>23,415</u>	<u>(17,377)</u>	<u>6,895</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 June 30, 2021 primarily relates to eight projects.

5 Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
	\$	\$
Accounts payable	843	670
Accrued liabilities	1,469	1,160
Accrued costs related to projects	12,683	6,929
Contract liabilities – aftercare services	-	14
	<u>14,995</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 \$
Balance, December 31, 2020	5,957
Interest accrual	47
Foreign exchange movement	37
Repayments	(6,041)
Balance, June 30, 2021	<u>-</u>

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7 Share capital

Common shares

At June 30, 2021, the Company had unlimited authorized common shares without par value and 150,113,991 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.

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

During the six months ended June 30, 2021, 965,316 options were exercised, and the fair value of \$0.1 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 June 30, 2021, the Company had 0.7 million warrants outstanding (December 31, 2020 – 22.4 million), as follows:

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

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During the six month period ended June 30, 2021, a total of 22.2 million warrants were exercised for \$7.0 million (June 30, 2020: 71,500 warrants for \$18,950). The fair value associated with the warrant exercises of \$0.8 million was transferred from contributed surplus to share capital. 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 remained unexercised and were cancelled, respectively.

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 June 30, 2021 stock options and RSUs issued under both the legacy and new Omnibus Incentive Plan represented 4.0% 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 six months ended June 30, 2021, including options granted to agents is as follows:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2020	5,241,984	0.27
Granted	571,970	1.77
Exercised	(965,316)	0.35
Forfeited	(131,667)	1.67
Balance, June 30, 2021	<u>4,716,971</u>	<u>0.41</u>

At June 30, 2021, 3,170,834 options were exercisable (December 31, 2020 – 3,604,650).

Greenlane Renewables Inc.

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(Unaudited)

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

Exercise price	Number outstanding	Weighted average remaining life in years
\$0.10	675,000	7.34
\$0.20	2,501,334	2.93
\$0.39	142,000	4.16
\$0.50	711,667	3.91
\$0.74	225,000	4.32
\$1.68	371,970	4.89
\$1.94	90,000	4.71

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

Grant date	March 16, 2021	May 21, 2021
Number of options granted	190,000	381,970
Fair value per option	\$1.26	\$1.07
Risk-free rate	0.21%	0.21%
Expected volatility	99.67%	97.05%
Expected life in years	3.5	3.5
Expected dividend yield	-	-

The Company recognized share-based compensation expense relating to stock options of \$0.2 million during the six months ended June 30, 2021 (June 30, 2020: \$0.3 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 six months ended June 30, 2021, is as follows:

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

Greenlane Renewables Inc.

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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 \$0.3 million during the six months ended June 30, 2021, related to RSUs (June 30, 2020: \$nil).

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 six months ended June 30, 2021 and 2020 is outlined below:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$	\$	\$
Non-executive Directors fees (excluding share-based compensation)	75	-	151	-
Salary	356	135	512	270
Share-based compensation	150	7	264	9
	<u>581</u>	<u>142</u>	<u>927</u>	<u>279</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.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$	\$	\$
System sales	11,847	3,711	23,415	5,797
Aftercare sales	736	530	1,373	1,374
	<u>12,583</u>	<u>4,241</u>	<u>24,788</u>	<u>7,171</u>

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Unaudited)

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

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$	\$	\$
System sales revenue				
United States	9,997	1,847	20,700	2,738
Europe	1,185	-	1,185	-
Other	665	1,864	1,530	3,059
	<u>11,847</u>	<u>3,711</u>	<u>23,415</u>	<u>5,797</u>
Aftercare services				
United States	62	106	90	172
Europe	403	324	756	851
Other	271	100	527	351
	<u>736</u>	<u>530</u>	<u>1,373</u>	<u>1,374</u>
Total revenue				
United States	10,059	1,953	20,790	2,910
Europe	1,588	324	1,941	851
Other	936	1,964	2,057	3,410
	<u>12,583</u>	<u>4,241</u>	<u>24,788</u>	<u>7,171</u>

The Company had three customers that each accounted for 10% or more of total revenue during the six months ended June 30, 2021. These customers accounted for 29%, 28% and 16% of total revenue.

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 June 30, 2021.

At June 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.