

**GREENLANE RENEWABLES INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED – June 30, 2021

## 1. Introduction

This management’s discussion and analysis (“MD&A”) of Greenlane Renewables Inc. (“Greenlane” or the “Company”) has been prepared by management as of August 12, 2021 and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and with the audited consolidated financial statements for the year ended December 31, 2020 and the related notes thereto. All figures are expressed in Canadian dollars (the presentation and functional currency of the Company’s financial statements) and all tabular amounts are in \$000s, except where otherwise indicated. The Company reports its unaudited consolidated interim financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

This MD&A refers to certain measures that are not standardized under IFRS, such as adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), operating profit, gross margin (before amortization), sales pipeline and sales order backlog. These are non-IFRS measures used by Management to better manage the Company and to assist the Company’s shareholders to evaluate the Company’s performance, but do not have standardized meaning. To facilitate a better understanding of these measures presented by the Company, qualifications, definitions and reconciliations have been provided in the section “Alternative Performance Measures”.

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company. Please refer to the cautionary note regarding the risks associated with “Forward-looking Statements” and “Risks and Uncertainties” at the back of this MD&A and under the heading “Risk Factors” in the Company’s Annual Information Form and its Shelf Prospectus (as defined below), which along with additional information and disclosure relating to the Company, can be found on the Company’s website at [www.greenlanerenewables.com](http://www.greenlanerenewables.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com). Information contained in or otherwise accessible through the Company’s website does not form part of the MD&A.

Greenlane common shares trade under the symbol “GRN” on the Toronto Stock Exchange (“TSX”). On February 17, 2021 the Company graduated from the TSX Venture Exchange (“TSXV”) to the TSX.

The head office of the Company is located at 110-3605 Gilmore Way, Burnaby, B.C. V5G 4X5 and the registered and records office of the Company is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

## 2. Core Business

Greenlane is focused on cleaning up two of the largest and most difficult-to-decarbonize sectors of the global energy system: the natural gas grid and the transportation sector. Greenlane is a leading global provider of biogas upgrading systems that create clean, low-carbon and carbon negative renewable natural gas (“RNG”), suitable for injection into the natural gas grid and for direct use as vehicle fuel. The business, acquired by the Company in June 2019, provides upgrading systems, marketed and sold under the Greenlane Biogas™ brand, which are designed to remove impurities and separate carbon dioxide from biomethane in the raw biogas created from organic waste at landfills, wastewater treatment plants, farms and food waste facilities. To the Company’s knowledge, Greenlane is the only biogas upgrading company offering the three main technologies: water wash, pressure swing adsorption (“PSA”), and membrane separation. Greenlane’s business is built on over 30 years of industry experience, patented and proprietary

technology, and over 125 systems sold into 19 countries including the largest RNG production facilities in North America and Europe.

### **3. Updates for the three months ended June 30, 2021 and subsequent events**

#### **Results:**

In the second quarter of 2021, the Company reported record revenues for the fourth consecutive quarter of \$12.6 million, a net loss of \$1.1 million and third consecutive quarter of positive Adjusted EBITDA at \$0.1 million. Revenue for the three months ended June 30, 2021 was in line with the stage of completion on active and announced projects and increased 200% over revenue of \$4.2 million reported in the second quarter of 2020.

#### **New Contract Wins of \$28.8 million since March 31, 2021:**

- i)** In April 2021, the Company announced the signing of approximately \$6.2 million in two new biogas upgrading system supply contracts.
  - **Colombia (PSA):** A contract with TICSA Colombia (an Engineering, Procurement, Construction subsidiary of Grupo EPM, a diverse utility company based in Medellin, Colombia) to supply a PSA system for the primary wastewater treatment facility servicing the metropolitan area of Medellin (San Fernando Wastewater Treatment Plant). Engineering work commenced immediately with a notice to proceed on equipment fabrication expected later this year. This contract marks the 19<sup>th</sup> country that Greenlane has sold upgrading equipment into, and this project will be the first commercial scale biogas upgrading system deployed in Colombia, producing clean, low-carbon RNG for direct injection into the local natural gas grid.
  - **Spain (Water wash):** A contract for the supply of the Company's water wash biogas upgrading system in Spain. Order fulfillment on this contract commenced immediately and is expected to be concluded within the 9 to 18 month period.
- ii)** In May 2021, the Company signed a contract valued at approximately \$9.8 million (US\$8.1 million) for supply of equipment for a large landfill gas-to-RNG project located in the midwestern United States ("US"). The Company will supply its two-stage PSA system to upgrade the landfill gas-to-pipeline specification RNG for direct injection into the local natural gas grid. Engineering work started immediately with a notice to proceed from the customer on equipment supply expected in the third quarter of 2021.
- iii)** Subsequent to June 30, 2021, the Company signed \$12.8 million (US\$10.2 million) in new contracts for RNG projects in the US. One of the contracts, a repeat order within eight months of the last one, involves the supply by the Company of its membrane separation biogas upgrading system for a project owned by an international energy company. The Company also signed contracts for the supply of two biogas upgrading systems, one each for separate RNG dairy farm projects in the States of Wisconsin and New York developed and owned by a proven leader in the waste-to-energy industry in the US. These two projects will each utilize the Company's PSA biogas upgrading system. Order fulfillment commenced immediately on all three contracts, which are expected to conclude within 9 to 18 months.

**Advancement of Dairy Farm Project in California with Oil and Gas Supermajor:**

In April 2021, the Company announced the advancement of the US\$2.6 million contract (\$3.3 million at current exchange rates) that was part of the \$21 million in contract wins for a dairy farm cluster in California announced in June 2020. The project, which involves an oil and gas supermajor, will use Greenlane PSA biogas upgrading systems to create RNG through the anaerobic digestion of the farm waste stream. The RNG will be supplied as fuel for the US transportation sector.

**Exercise of Warrants for Gross Proceeds of \$2.8 million:**

During the second quarter of 2021, 10.9 million of the \$0.26 warrants were exercised for proceeds of \$2.8 million. On June 3, 2021, the \$0.26 warrants expired with 110,764 remaining unexercised, which were subsequently cancelled.

**Omnibus Incentive Plan:**

A new Omnibus Incentive Plan was approved by the shareholders at the Company's annual general meeting on June 23, 2021. Under this plan, the Company can award both stock options and restricted share units ("RSUs"), subject to compliance with the policies, rules and regulations of the TSX. The Omnibus Incentive Plan is a rolling plan where the Company is entitled to issue options and RSUs to a maximum number of common shares equal to 10% of the issued and outstanding common shares, less the aggregate number of common shares issuable under the previous option plan and RSU plan.

**Filing of Base Shelf Prospectus:**

In June 2021, the Company filed a short form base shelf prospectus (the "Shelf Prospectus") to provide the flexibility to make offerings of securities until July 2023, its effective period. The Shelf Prospectus replaces a prior base shelf prospectus which was filed in July 2019 and was fully used by February 2021. The Shelf Prospectus will enable offerings of common shares, warrants, subscription receipts, or units of the Company up to an aggregate offering price of \$500,000,000 during the 25-month period that the Shelf Prospectus is effective. The Company filed the Shelf Prospectus with the objective of maintaining financial strength and providing maximum flexibility going forward as it executes its business plan and strategic initiatives. Greenlane does not have any immediate plans to offer securities under the Shelf Prospectus. The specific terms of any future offerings will be established in a prospectus supplement to the Shelf Prospectus.

**COVID-19:**

The ongoing COVID-19 pandemic and associated government-imposed lockdowns have not had a negative material impact on Greenlane's ability to fulfil its contracts to date. The Company has continued to operate at full staffing levels through the pandemic while adding additional employees as required to meet the Company's growing business needs. While the impact of COVID-19 is still expected to be temporary, the Company's business may be impacted further, more recently the Company has seen the effect of the global shipping delays and although the Company is working with customers and suppliers to manage some delays experienced there is a risk that it may not be able to complete on certain of its current biogas upgrading contracts within the anticipated timeframes. The further result is that the Company's recording of revenues and gross profit from these contracts may be deferred to later fiscal reporting periods. In addition, inflationary price increases as a result of reopening from COVID-19 lockdowns have been experienced globally, and although the Company mitigates the risk through fixed price agreements with suppliers, there is a risk that profit margins may narrow if the Company's mitigation strategies are not effective.

## 4. Overview of the biogas upgrading business

Greenlane designs, develops, sells and services a range of biogas upgrading systems that produce clean, low-carbon and carbon-negative RNG from biogas generated by organic waste sources including, but not limited to, landfills, wastewater treatment plants, dairy farms, and food waste. Biogas is produced naturally from these sources when organic matter is broken down through anaerobic digestion and is a mixture of approximately 60% methane, 40% carbon dioxide plus traces of other contaminant gases. The RNG produced is suitable for either injection into the natural gas grid or for direct use as vehicle fuel.

Each Greenlane biogas upgrading system is customer specific and typically has a standard core upgrading product with optional additional equipment as necessary for the particular application. Greenlane's biogas upgrading system supply contract values typically range from \$2 million to \$8 million for single systems, depending on size and scope of supply, with larger capacities achieved by installing multiple systems in parallel driving multiples in contract value accordingly. Some projects are design, install, commission, and maintain, while others are design and commission only and in addition, the Company may secure an ongoing maintenance contract. The mix of models, scope and geography of each project impacts the overall project revenue and margin.

Due to the long history of Greenlane branded products and Greenlane's prominent market position, geographic reach of its sales force and multi-technology offerings, the Company has visibility into proposed biogas upgrading projects around the world. Greenlane maintains a pipeline of prospective projects that it updates regularly based on quote activity to ensure that it is reflective of active sales opportunities that can convert into orders within approximately a rolling 24-month time horizon ("Sales Pipeline", i.e. known sales opportunities). At June 30 2021, the Sales Pipeline was valued at over \$800 million. Not all of these potential projects will proceed or proceed within the expected timeframe and not all of the projects that do proceed will be awarded to Greenlane. Additions to the amount in the Sales Pipeline come from situations where the Company provides a quote on a prospective project and reductions in the Sales Pipeline arise when a prospective opportunity is lost to a competitor, does not proceed or is converted to Greenlane's active order book (sales order backlog).

The Company supplies biogas upgrading systems and maintenance services to a wide range of customers in the waste water, waste collection, agricultural, food waste, beverage, and pulp and paper industries. The Company manages the entire project life cycle from design and procurement through to on-site installation, commissioning and aftercare. The Company uses a capital light business model with fully outsourced manufacturing and components purchased through an extensive global supply chain.

Greenlane has several major competitors operating in the same geographical markets, many of which own, or have access to, similar biogas upgrading technology. As such, Greenlane strives to differentiate itself by showcasing its track record of supplying biogas upgrading systems worldwide, which is longer and more extensive than any of its key competitors, while also, to the Company's knowledge, being the only company to offer multiple biogas upgrading technologies (water wash, PSA and membrane separation), which allows it to offer its customers an unbiased selection of the optimal technology or combination of technologies to provide the best outcome for the unique requirements of each customer's project. Greenlane's multi-technology approach is particularly compelling as more and more serial project developers enter the market whose portfolio of projects will have different requirements and demand different technology solutions. Greenlane has positioned itself as the go-to partner to grow with these serial developers no matter the project size, feedstock or global location.

The market for Greenlane's products is expected to grow as an increasing number of corporations and individuals act on their sustainability targets and governments around the world enact and strengthen

environmental policies designed to combat climate change by promoting clean, low carbon solutions and carbon-negative solutions to effectively divert increasing amounts of organic waste away from landfills and into a circular economy as the world's population continues to expand.

## **5. Develop, Build, Own and Operate Business Model**

In addition to its core business of selling biogas upgrading systems, the Company intends to add new recurring revenues and profits by pursuing develop, build, own and operate (“DBOO”) opportunities. To address a scarcity of project development capital in the market, the Company intends to deploy specialized development capital where it can be helpful to accelerate projects to the ready for construction phase. The Company will also seek out other creative financing solutions that solve problems faced by developers such as upgrading as a service (“UaaS”).

As a first foray into its DBOO initiative, in July 2020, the Company signed a definitive joint venture agreement with SWEN Impact Fund for Transition (“SWIFT”), Europe’s first direct investment infrastructure fund dedicated to renewable gases managed by SWEN Capital Partners (“SWEN”), an investment management company with more than €5 billion in assets under management based in Paris, France. The agreement enables Greenlane to provide UaaS to developers and owners of RNG projects in Europe by offering potential customers the opportunity to replace the initial capital outlay for the biogas upgrading equipment, with a monthly fee.

SWIFT will provide capital to the joint venture for the building and owning of the biogas upgrading systems and will hold a majority share of the joint venture. The Company will hold a minority share and will identify prospective customers through its pipeline of opportunities, and will exclusively supply to the joint venture the biogas upgrading equipment at normal margins and provide long-term operation and maintenance of the equipment under contract. The Company has a call option to increase its equity position in the joint venture up to a maximum of 50%.

Refer to Section 11 for further information on forecast and actual expenses incurred to date related to the DBOO business model.

## **6. Summary of Quarterly Results**

The following table summarizes information regarding the Company’s operations on a quarterly basis for the last eight quarters.

The Company’s results are not impacted by seasonality, however the operating results are significantly affected by the timing of and delivery of new upgrader contracts. Timing of biogas upgrader contract awards tends to be variable due to customer-related factors such as finalizing technical specifications and securing project funding, permits and RNG off-take and feedstock agreements.

Revenue and corresponding costs from upgrader projects are recognized using the stage of completion method. Under the stage of completion method, contract revenues and expenses are recognized by reference to the stage of completion of contract activity where the outcome of the construction contract can be measured reliably, otherwise revenue is recognized only to the extent of recoverable contract costs incurred. A typical upgrader project has five to eight milestones and a duration of nine to eighteen months, and therefore quarterly operating results can fluctuate significantly as a result of the timing of contract related work.

<b>Three months ended</b>				
	<b>June 30, 2021 \$</b>	<b>March 31, 2021 \$</b>	<b>December 31, 2020 \$</b>	<b>September 30, 2020 \$</b>
Revenue	12,583	12,205	8,825	6,504
Gross Margin (excluding amortization) <sup>1,2</sup>	3,224	3,284	2,363	1,685
Net Income (Loss)	(1,077)	(230)	(1,181)	743
Earnings (Loss) per share attributable to owners of the Company (basic and diluted)	(0.01)	(0.00)	(0.02)	0.01
Adjusted EBITDA <sup>2</sup>	120	604	160	(360)

<b>Three months ended</b>				
	<b>June 30, 2020 \$</b>	<b>March 31, 2020 \$</b>	<b>December 31, 2019 \$</b>	<b>September 30, 2019 \$</b>
Revenue	4,241	2,930	3,256	4,956
Gross Margin (excluding amortization) <sup>1,2</sup>	1,089	1,288	1,567	1,268
Net Loss	(940)	(1,093)	(1,027)	(1,750)
Loss per share attributable to owners of the Company (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.04)
Adjusted EBITDA <sup>2</sup>	(671)	(830)	(473)	(860)

1. Revenue less cost of goods sold (excluding amortization)

2. Adjusted EBITDA and gross margin (excluding amortization) are non-IFRS measures, refer to section Alternative Performance Measures for further information

## 7. Review of Results for the three months ended June 30, 2021

	<b>Three months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Revenue	12,583	4,241
Cost of goods sold (excluding amortization)	(9,359)	(3,152)
	<hr/> 3,224	<hr/> 1,089
Gross Margin % <sup>(1)</sup>	26%	26%
Amortization	(309)	(310)
<b>Gross Profit</b>	<hr/> 2,915	<hr/> 779
Operating expenses	(3,568)	(1,704)
<b>Operating loss</b>	<hr/> (653)	<hr/> (925)
Other expenses	(424)	(15)
<b>Net Loss</b>	<hr/> (1,077)	<hr/> (940)
<b>Loss per share attributable to owners of the Company (basic and diluted)</b>	(0.01)	(0.01)
<b>Adjusted EBITDA</b>	120	(671)
	<hr/> <b>June 30,</b>	<hr/> <b>December</b>
	<b>2021</b>	<b>31, 2020</b>
<b>Total Assets</b>	73,687	43,172
<b>Total Current Liabilities</b>	16,535	16,737
<b>Total Long-term Liabilities</b>	336	567
<b>Total Equity</b>	<hr/> 56,816	<hr/> 25,868

(1) Here and elsewhere gross margin % excludes amortization

The Company's operating loss for the three months ended June 30, 2021 was \$0.7 million (\$0.9 million operating loss for the three months ended June 30, 2020).

The Company recorded a net loss of \$1.1 million for the three months ended June 30, 2021 (\$0.9 million net loss for the three months ended June 30, 2020) reflecting operations for the quarter as well as other expenses of \$0.4 million for three months ended June 30, 2021, predominantly coming from the unrealized foreign exchange loss in the quarter.

The Company's Adjusted EBITDA income was \$0.1 million for the three months ended June 30, 2021 (EBITDA loss of \$0.7 million for the three months ended June 30, 2020).



## Revenue

During the three months ended June 30, 2021, the Company recognized revenue of \$12.6 million (\$4.2 million for the three months ended June 30, 2020).

	Three months ended	
	June 30, 2021	June 30, 2020
	\$	\$
System sales	11,847	3,711
Aftercare services	736	530
<b>Total revenue</b>	<b>12,583</b>	<b>4,241</b>

System sales revenue in the quarter primarily reflects revenue from eight customer contracts, recognized in accordance with the stage of completion of projects. In the second quarter of 2021, the Company secured new upgrader contracts with an aggregate value of \$16.0 million and has begun recognizing revenue from these contracts in the quarter. As at June 30, 2021, the Company's sales order backlog was \$41.9 million, reflecting revenue on sales contracts that will be recognized as completion of the projects progress. Revenue from the three contracts announced subsequent to June 30, of \$12.8 million, is not reflected in the backlog number at June 30, 2021, recognition of revenue on these new contracts will commence in the third quarter. Contracts included in the order backlog are typically recognized over nine to eighteen months from when the contract is signed.

Many of Greenlane's upgrading system customers commit to 'aftercare services', a maintenance contract for terms ranging from one to 20 years for a fixed annual fee. These contracts provide technical support and remote monitoring to maintain system availability typically in excess of 95%.

## Cost of goods sold (excluding amortization) and gross profit

The Company utilizes a capital-light, fully outsourced manufacturing model whereby it outsources fabrication of elements of its systems to, and purchases components globally from, trusted supply chain partners who meet the Company's cost, quality and delivery requirements.

Cost of goods sold (excluding amortization) for the three months ended June 30, 2021 was \$9.4 million (\$3.2 million for the three months ended June 30, 2020). Gross margin remained consistent at 26% for the three months ended June 30, 2021 and 2020, in line with the Company's expectation of gross margins between 25-30% on an annual basis.

Amortization of intellectual property was \$0.3 million for the three months ended June 30, 2021 and June 30, 2020. The intellectual property is amortized on a straight-line basis over the life of the patents of 7 years and 10 months.

Gross profit was \$2.9 million for the three months ended June 30, 2021 (\$0.8 million for the three months ended June 30, 2020).

## Operating expenses

Operating expenses which include salaries, depreciation, research and development, share-based payments and general and administrative costs, was \$3.6 million for the three months ended June 30, 2021 (\$1.7 million for the three months ended June 30, 2020).

Salaries accounted for \$1.9 million of total administrative expenses for the three months ended June 30, 2021, up from the comparative quarter primarily due to increased salary costs related to the growth of the business (June 30, 2020: \$1.1 million for the three months period). At June 30, 2021, the Company had sixty three employees (June 30, 2020: forty-one): forty nine employees based in Canada, five based in the

UK, three in Europe and six in the US. The Company may add further resources as needs require. In addition, share-based compensation of \$0.3 million was recognized during the three months ended June 30, 2021 (June 30, 2020: \$0.04 million for the three month period) relating to employee stock option awards (granted from 2019 to 2021) and restricted share units (granted in 2020 and 2021).

The Company incurred general and administration expenses of \$1.1 million for the three months ended June 30, 2021, up from the comparative quarter (June 30, 2020: \$0.5 million for three months period) primarily due to increased legal costs related in part to the Omnibus Incentive Plan and Shelf Prospectus, and expenses related to process improvement activities.

### **Other income (expenses)**

During the three months ended June 30, 2021 the Company recognized other expenses of \$0.4 million (\$0.02 million expenses for three months ended on June 30, 2020) representing:

	<b>Three months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Finance expense	(10)	(128)
Foreign exchange gain (loss)	(414)	113
Total other income (expenses)	<u>(424)</u>	<u>(15)</u>

### **Finance expense**

The Company reported \$0.01 million in finance expense in the three months ended June 30, 2021 (\$0.1 million for three months ended June 30, 2020). The reduction in interest expense quarter on quarter is due to the repayment to Pressure Technologies plc (“Pressure Technologies”) of the promissory note, in full totaling \$6.0 million including principle and interest, in February 2021.

### **Foreign exchange gain (loss)**

Foreign exchange loss of \$0.4 million for the three months ended June 30, 2021 (\$0.1 million gain for three months ended June 30, 2020), primarily due to the movements in the Canadian dollar against the US dollar on the Company’s US dollar bank account.

## 8. Review of Results for the six months ended June 30, 2021

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Revenue	24,788	7,171
Cost of goods sold (excluding amortization)	(18,280)	(4,794)
	<hr/> 6,508	<hr/> 2,377
Gross Margin %	26%	33%
Amortization	(623)	(619)
	<hr/> 5,885	<hr/> 1,758
<b>Gross Profit</b>		
Operating expenses	(6,499)	(3,754)
	<hr/> (614)	<hr/> (1,996)
<b>Operating loss</b>		
Other expenses	(693)	(37)
	<hr/> (1,307)	<hr/> (2,033)
<b>Net Loss</b>		
<b>Loss per share attributable to owners of the Company (basic and diluted)</b>	(0.01)	(0.02)
<b>Adjusted EBITDA</b>	724	(1,501)

The Company's operating loss for the six months ended June 30, 2021 was \$0.6 million compared to an operating loss of \$2.0 million for the six months ended June 30, 2020.

The Company recorded a net loss of \$1.3 million for the six months ended June 30, 2021 (\$2.0 million loss for the six months ended June 30, 2020) reflecting operations for the period as well as other expenses of \$0.7 million for the six months ended June 30, 2021, predominantly driven by the unrealized foreign exchange loss in the period, partially offset by the \$0.2 million non-recurring gain included in other income.

The Company's Adjusted EBITDA was \$0.7 million for the six months ended June 30, 2021 compared to an Adjusted EBITDA loss of \$1.5 million for the six months ended June 30, 2020.

### Revenue

During the six months ended June 30, 2021, the Company recognized revenue of \$24.8 million against \$7.2 million for the comparative period of 2020.

	<b>Six Months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
System sales	23,415	5,797
Aftercare services	1,373	1,374
<b>Total revenue</b>	<hr/> <b>24,788</b>	<hr/> <b>7,171</b>

System sales revenue in the period primarily reflects revenue from ten customer contracts (primarily from contracts secured in 2020), recognized in accordance with the stage of completion of projects. In the first half of 2021, the Company secured new system sales contracts with an aggregate value of \$19.6 million and has begun recognizing revenue from these contracts in the six-month period.

### **Cost of goods sold (excluding amortization) and gross profit**

Cost of goods sold (excluding amortization) for the six months ended June 30, 2021 was \$18.3 million (\$4.8 million for the six months ended June 30, 2020). Gross margin was 26% for the six months ended June 30, 2021 (33% for the six months ended June 30, 2020). The June 30, 2020 gross margin was higher than typical for the business due to the higher proportion of aftercare service revenue in the period, which typically has a higher margin than system sales projects. The gross margin going forward is expected to be between 25-30% on an annual basis.

Amortization of intellectual property was \$0.6 million for the six months ended June 30, 2021 and June 30, 2020. The intellectual property is amortized on a straight-line basis over the life of the patents of 7 years and 10 months.

Gross profit was \$5.9 million for the six months ended June 30, 2021 (\$1.8 million for the six months ended June 30, 2020).

### **Operating expenses**

Operating expenses which include salaries, depreciation, research and development, share-based payments and general and administrative costs, was \$6.5 million for the six months ended June 30, 2021 (\$3.8 million for the six months ended June 30, 2020).

Salaries accounted for \$3.7 million of total administrative expenses for the six months ended June 30, 2021, up from the comparative period mainly due to new hires recruited to support the expanding business (June 30, 2020: \$2.1 million for the six month period). In addition, share-based compensation of \$0.5 million was recorded for the six months ended June 30, 2021 (June 30, 2020: \$0.1 million for six month period) relating to employee stock option awards (granted from 2019 to 2021) and restricted share units (granted in 2020 and 2021).

The Company incurred general and administration expenses of \$2.0 million for the six months ended June 30, 2021, up from \$1.4 million in the comparative period primarily due to increased legal costs related in part to the Omnibus Incentive Plan and Self Prospectus, and expenses related to process improvement activities.

### **Other income (expenses)**

During the six months ended June 30, 2021 the Company recognized other expenses of \$0.7 million (\$0.04 million for six months ended on June 30, 2020) representing:

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Finance expense	(69)	(294)
Other income	209	-
Foreign exchange gain (loss)	(833)	257
Total other income (expenses)	<u>(693)</u>	<u>(37)</u>

### **Finance expense**

The Company reported \$0.1 million in finance expense in the six months ended June 30, 2021 (\$0.3 million for six months ended June 30, 2020), predominantly reflecting the interest on the promissory note with

Pressure Technologies. The reduction in interest expense period on period is due to the repayment of the promissory note, in full, totaling \$6.0 million including principal and interest, in February 2021.

#### **Other income**

In February 2021, all amounts due to Pressure Technologies were repaid in full. This included (in addition to repayment of the promissory note) settlement of the intercompany invoices issued prior to the acquisition of the biogas business in June 2019. Settlement of all amounts due to Pressure Technologies resulted in a gain of \$0.2 million in the period.

#### **Foreign exchange gain (loss)**

Foreign exchange loss of \$0.8 million for the six months ended June 30, 2021 (\$0.3 million gain for the six months ended June 30, 2020) primarily due to the movements in the Canadian dollar against the US dollar on the Company's US dollar bank account.

## **9. Liquidity and Capital Resources**

At June 30, 2021, the Company had cash and cash equivalents of \$36.5 million (December 31, 2020: \$16.4 million). The increase in cash primarily reflects \$24.5 million net proceeds from the January 2021 bought deal offering ("2021 Bought Deal Offering", see section 11 below for further details), \$7.5 million proceeds from options and warrants exercised in the period, offset in part by the \$6.0 million repayment of the promissory note and net cash outflows from operating activities of \$5.6 million (cash outflows from operating activities of \$3.6 million for the six month period ended June 30, 2020).

Cash and cash equivalents consist of cash and call deposits that are redeemable prior to maturity on demand and without economic penalty to the Company. The Company's exposure to credit risk on its cash and call deposits is limited by maintaining all cash and call deposits with major banks with high credit ratings.

Working capital is defined as current assets minus current liabilities. Readers are cautioned that differences in businesses and the timing of transactions, amongst other things, may not make working capital balances directly comparable between companies. At June 30, 2021, the Company had a consolidated working capital, including cash, of \$38.9 million (December 31, 2020: \$7.4 million). Fluctuations in cash and cash equivalents (outside of an equity raise), accounts receivable and accounts payable are primarily driven by the phasing of upgrader projects. The Company aims to ensure that projects are generally in a cash flow positive position (i.e. billings to customers are collected in advance of payments to suppliers). The Company has no significant commitments for capital expenditures.

#### **Debt**

At June 30, 2021, the Company had no debt, other than payables resulting from normal course operations and off balance-sheet arrangements discussed below. The promissory note issued to Pressure Technologies that was due to mature on June 30, 2021 was repaid in full in February 2021, including principal and interest. With the early repayment of the promissory note all amounts owing to Pressure Technologies have been eliminated. The capital for the promissory note repayment came from funds received from the exercise of warrants in 2020.

## 10. Contractual obligations

The Company has contractual obligations as at June 30, 2021 of \$16.8 million:

	Due within one year	Due between two and five years	Total
Accounts payable and accrued liabilities	14,995	-	14,995
Lease liability	233	336	569
Contract liabilities	1,190	-	1,190
<b>Total</b>	<b>16,418</b>	<b>336</b>	<b>16,754</b>

## 11. Use of Proceeds

### 2021 Bought Deal Offering

On January 27, 2021, the Company completed the 2021 Bought Deal Offering through the issuance of 12,190,000 common shares, including 1,590,000 shares issued pursuant to the underwriters' full exercise of their over-allotment option, at a price of \$2.17 per share for gross proceeds of \$26.5 million (\$24.5 million net). The Company's Prospectus (non-pricing) Supplement, dated January 21, 2021, contained certain disclosure in respect of the Company's intended use of the proceeds from the equity financings as of such date. As disclosed in that document, the Company expects to use the proceeds for development of and investments in new RNG projects, for strategic growth initiatives, and for general corporate purposes (including the Company's ongoing business initiatives) and working capital. There have been no changes to the Company's planned use of proceeds at this time.

A summary of the actual use of proceeds from January 27, 2021 to June 30, 2021 against the disclosed anticipated uses is set forth in the table below.

Use of Proceeds	Total Planned Spend \$	Total Spend to June 30, 2021 \$
Development of and investment in new RNG projects	8,000	220
Strategic growth initiatives (including pursuing attractive acquisition opportunities as the industry consolidates, adding system capabilities for hydrogen production as markets develop and strategic alliances to expand the Company's upgrading technology solutions)	8,000	101
General corporate purposes and working capital	8,500	1,503
<b>Total</b>	<b>\$24,500*</b>	<b>1,824</b>

\*actual net proceeds received were \$24,455,958

## February 2020 Public Offering

On February 19, 2020, the Company closed an underwritten public offering through the issuance of 23,000,000 units (each unit was comprised of one common share and one-half of one common share warrant), including 3,000,000 units issued pursuant to the underwriters' full exercise of their over-allotment option, at a price of \$0.50 per unit for gross proceeds of \$11.5 million (\$10.3 million net). The Company's Prospectus (non-pricing) Supplement ("2020 Prospectus"), dated February 12, 2020, contained certain disclosure in respect of the Company's intended use of the proceeds from the equity financings as of such date. As disclosed in that document, the Company planned to use the net proceeds on a payment to Pressure Technologies against the outstanding promissory note, investments in the Company's "build, own and operate" business model and for general corporate purposes and working capital. There have been no changes to the Company's planned use of proceeds at this time.

A summary of the actual use of proceeds from February 19, 2020 to June 30, 2021 against the disclosed anticipated uses is set forth in the table below.

Use of Proceeds	Total Planned Spend \$	Total Spend to June 30, 2021 \$
Investments by the Company in its develop, build, own and operate business model	3,500	62
Payment to Pressure Technologies against promissory note	3,500	3,614
General corporate purposes and working capital	3,400	3,400
<b>Total</b>	<b>10,400<sup>1</sup></b>	<b>7,076</b>

1. Actual net proceeds received were \$10,342,875

The variance of \$0.1 million in the payment against the promissory note is a result of the requirement to repay accrued interest (\$0.2 million) on the principal repaid, offset in part by a foreign exchange gain (\$0.1 million) in principal repayment. This had not been included in the planned spend because the requirement to repay accrued interest was unconfirmed at that time, as disclosed in the 2020 Prospectus.

The Company is progressing with the develop, build, own and operate model through the joint venture with SWEN as discussed in section 5, further spend is expected to be incurred through 2021.

## 12. Industry Outlook

The biogas upgrading market is anticipated to grow, driven by increasing demand for RNG caused primarily by a universal desire to combat climate change by reducing greenhouse gas emissions supported by government regulations and incentives for use of RNG as a transportation fuel and to replace fossil natural gas in the pipeline distribution network. As a global leader in the biogas upgrading business, Greenlane expects to benefit from this trend.

The Company plans to scale up operations as it wins new upgrader projects, search out consolidation opportunities in the highly-fragmented biogas upgrading industry and expand Greenlane's business beyond equipment sales into project development through the DBOO business model (refer to section 5 above for further details). Following the completion of the 2021 Bought Deal Offering and earlier February 2020

Public Offering, the Company has raised funds to support these growth initiatives, see section 11 above for details of the intended use of proceeds from the two capital raises.

### 13. 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 recognized for these key management personnel for the three and six months ended June 30, 2021 and 2020 is outlined below:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Non-executive Director 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 Pressure Technologies, which arose through the acquisition of the biogas business, including the outstanding promissory note and accrued interest (\$6.0 million) and intercompany invoices (\$0.4 million).

### 14. Off Balance-sheet Arrangements

In April 2020, the Company issued a performance bond for US\$0.5 million through Atlantic Specialty Insurance Company (“ASIC”), partially guaranteed by Export Development Canada (“EDC”), to a customer. In September 2020, the Company issued a payment bond for US\$0.9 million through ASIC, to another customer, this bond expired in the second quarter of 2021.

Subsequent to the quarter, the Company issued a standby letter of credit for €0.8 million through TD Canada Trust Bank (“TD”), relating to an advance payment guarantee with one customer.

Upon demand of either the performance bond or standby letter of credit, the Company would be required to compensate ASIC, EDC or TD for any losses and expenses, as applicable.

### 15. Critical Accounting Policies and Management Estimates

Preparing financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The Company’s significant accounting policies and key sources of estimation uncertainty are those that affect its financial statements and are summarized in Note 3, 4 and 5 of the consolidated financial statements for the year ended December 31, 2020. There have been no changes since December 31, 2020.



Critical accounting policies and estimates in the period included revenue recognition for biogas upgrader projects, the assessment of impairment of long-lived assets and goodwill, the measurement of financial instruments and the recognition of provisions and contingent liabilities.

## **16. Financial Instruments and Related Risks**

There has been no change in financial instruments and related risk during the period.

## **17. Future Accounting Standards**

There are a number of accounting standard amendments issued by the IASB which the Company has not yet adopted. None of the future amendments are expected to have a significant impact on the Company's accounting policies on adoption.

## **18. Disclosure Controls and Internal Controls Over Financial Reporting**

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DCP") and internal controls over financial reporting ("ICFR"). The Company's CEO and CFO have designed or caused to be designed under their supervision, the DCP that provide reasonable assurance that (i) material information relating to the Company is made known to the Company's CEO and CFO by others, and (ii) information required to be disclosed by the Company in its filings under securities legislation is recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. The CEO and the CFO have also designed or caused to be designed under their supervision the ICFR to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the period from April 1, 2021, to June 30, 2021, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

## **19. Outstanding Share Information**

As of August 12, 2021 the Company had the following common shares, stock options, warrants and restricted share units outstanding:

Common shares	150,138,991
Stock options (vested and unvested)	4,666,971
Warrants	694,830
Restricted share units	1,245,792

At June 30, 2021, 150,113,991 common shares were outstanding.

## Alternative performance measures

### Non-IFRS Measures

Management evaluates the Company's performance using a variety of measures, including "operating profit (loss)", "gross margin (excluding amortization)", "Adjusted EBITDA", "Sales Pipeline" and "sales order backlog". The non-IFRS measures should not be considered as an alternative to or more meaningful than revenue or net loss. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. Management uses these and other non-IFRS financial measures to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing consolidated underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. During the current quarter, the Company incurred certain non-recurring professional fees that are considered unrelated to the Company's underlying operating performance and have therefore been excluded from Adjusted EBITDA. The Company has excluded these fees, primarily related to the filing of a Shelf Prospectus which is expected to generate future capital for the Company and does not impact the Company's current operating performance. See reconciliation below.

### Reconciliation of net loss to Adjusted EBITDA Income (Loss)

	Three months ended June 30,		Six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Net loss	(1,077)	(940)	(1,307)	(2,033)
Add back:				
Share based compensation	284	36	459	58
Depreciation and amortization	388	379	778	759
Finance expense	10	128	69	294
Other income	-	-	(209)	-
Foreign exchange (gain) loss	414	(113)	833	(257)
Professional fees related to the Shelf Prospectus and other matters	101	-	101	-
Other adjustments – bonus accrual	-	(161)	-	(322)
<b>Adjusted EBITDA Income (Loss)</b>	<b>120</b>	<b>(671)</b>	<b>724</b>	<b>(1,501)</b>

Refer to sections 6, 7 and 8 above for reconciliations of operating loss and gross margin (excluding amortization).

### Sales Order Backlog

Sales Order backlog refers to the balance of unrecognized revenue from contracted projects. The sales order backlog increases by the value of new system sales contracts and is drawn down over time as projects

progress towards completion with amounts recognized in revenue (by reference to the stage of completion of each contract).

## **Sales Pipeline**

Additions to the amount in the sales pipeline come from situations where the Company provides a quote and reductions to the amount in the sales pipeline arise when the Company loses a quote or bid, the project owner decides not to proceed with the project or, where a quote in the pipeline is converted to the order book (sales order backlog).

## **Risks and Uncertainties**

Greenlane's business is exposed to risks and uncertainties that affect its outlook, results of operations and financial position. The risks and uncertainties described below are not the only ones that Greenlane faces. Additional risks and uncertainties, including those that management is not currently aware of or that management currently deems immaterial, may also adversely affect Greenlane's business. Please refer to the heading "Risk Factors" in the Company's Annual Information Form and its Shelf Prospectus, which can be found on the Company's website at [www.greenlanerenewables.com](http://www.greenlanerenewables.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Macroeconomic and geopolitical risks and uncertainties that impact Greenlane's business include: the uncertain and unpredictable condition of the global economy; significant markets for RNG may never develop or may develop more slowly than expected; changes in government policies and regulations could hurt the market for Greenlane's products; competition from other developers and manufacturers of RNG products could reduce Greenlane's market share or reduce its gross margins; technological advances or the adoption of new codes and standards could impair Greenlane's ability to deliver its products and fluctuations in foreign exchange rates could impact Greenlane's revenues and costs.

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a global pandemic. The Company continues to operate its business at this time. As the COVID-19 pandemic continues to evolve, the Company's business may be impacted, including through supply chain and delivery delays, with a result that it may not be able to complete on its current biogas upgrading contracts within the anticipated timeframe. In some cases, such delays may result in liquidated damages, may adversely affect the Company's recording of revenues, and receipt of milestone payments from these contracts may be deferred to later fiscal reporting periods. In addition, there is a risk of inflationary price increases which may result in narrowing profit margins.

The Company also faces many operating risks and uncertainties, including but not limited to: Greenlane may not be able to implement its business strategy; Greenlane's biogas upgrading systems may fail performance expectations; unexpected disruptions may affect project developments and operations; there is no assurance that Greenlane's joint venture with SWIFT will be successful in developing RNG projects; there is no assurance that Greenlane's strategic growth initiatives or opportunities will lead to increased revenues or profitability; competition in the biogas industry may increase and Greenlane may have greater competition for future business; Greenlane currently depends on a relatively limited number of customers for a majority of its revenues; Greenlane's insurance may not be sufficient to cover losses; Greenlane could be liable for environmental damages resulting from its activities; Greenlane's strategy for the sale of RNG products depends on developing partnerships with component manufacturers related to its water wash, PSA and membrane biogas upgrading systems and market channel partners who incorporate Greenlane's products into their projects; Greenlane is reliant on third party suppliers for key materials and components for its products; Greenlane may not be able to manage the expected expansion of its operations; Greenlane's

plan to expand into project development may not materialize or may not result in the benefits expected; Greenlane sells its products in many different countries which have different rules and regulations; Greenlane will need to recruit, train and retain key management and other qualified personnel to successfully operate and expand its business; Greenlane might acquire technologies or companies in the future and these acquisitions could disrupt its business; any failures of Greenlane's products could negatively impact its customer relationships and increase its costs; Greenlane's intellectual property could be compromised which could adversely affect its business; potential customers could reduce their spending on biogas upgrading projects; Greenlane may not be able to maintain the necessary liquidity level or secure the financing necessary to fulfill its business plan; and financing may not be available on favorable terms.

The Company's estimates of Sales Order Backlogs are subject to normal commercial risks which include, without limitation, the ability of the Company's customers to secure required financing or permitting approvals and the ability of the Company's suppliers in its supply chain to deliver on time and on specification. Delays in completion of projects representing the Company's Sales Order Backlog may result in revenues from these contracts being deferred to future financial periods. In addition, the contracts that we enter into may provide the customer with the ability to terminate with prescribed threshold payments based on length of time or progress made since the contract was entered into. Determinations by customers to exercise these termination rights could result in the Company earning less revenues than indicated by the amount of the Sales Order Backlog.

The Company's estimates of qualified prospective projects that management believes could convert into orders within approximately 24 months, which is referred to as the Company's Sales Pipeline, are estimates only and should be evaluated by investors in this context. These estimates represent management's expectations as to the amount or the number of contracts to be signed and are estimates only as to the possible prospective market. There can be no assurance that management's expectations are an accurate assessment of the potential market or that these potential projects will proceed or will proceed within the expected timeframe. In addition, it is anticipated that the Company will be successful in securing only a portion of the available projects that are judged to be within the Company's potential Sales Pipeline. Specifically, it is anticipated that not all of these sales opportunities will be available to the Company, that the Company may determine not to pursue these opportunities or, if pursued, that these opportunities may not result in biogas upgrading contracts being awarded to the Company.

## **Forward-Looking Statements**

This MD&A contains forward-looking statements, including statements regarding the future success of the Greenlane business, technology and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "plans", "continues", "could", "indicates", "will", "intends", "may", "projects", "schedules", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: actions expected to be undertaken to achieve the Company's strategic goals; the key market drivers impacting the Company's success; intentions with respect to future biogas upgrading development work; expectations regarding business activities and orders that may be received in future years; trends in, and the development of, the Company's target markets; the Company's market opportunities; the benefits of the Company's products; expectations regarding competitors; the expected impact of the described risks and uncertainties; the management of the Company's liquidity risks in light of the prevailing economic conditions; and the ability of the Company to obtain financing in order to grow its business; visibility as to new projects, proposed or proceeding, and their estimated value.

These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause the Company's actual results, level of activity or performance to be materially different from any future results, levels of activity or performance expressed in or implied by these forward-looking statements. These risks include, generally, risks related to revenue growth, operating results, industry and products, technology, competition, the economy and other factors. Although the forward-looking statements contained herein are based upon what management believes to be current and reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. Examples of such assumptions include but are not limited to: trends in certain market segments and the economic climate generally; the pace and outcome of technological development and the expected actions of competitors and customers. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein.