

**Greenlane Renewables Inc.**  
(formerly Creation Capital Inc.)

Condensed Consolidated Interim Financial  
Statements  
(Unaudited)

**Three and Six months ended  
June 30, 2019, three months period  
ended June 30, 2018 and period from  
February 15, 2018 to June 30, 2018**  
(in thousands of Canadian dollars)

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

(in thousands of Canadian dollars)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,021	525
Trade accounts receivable, net of allowance (note 4)	1,472	-
Inventory (note 5)	249	-
Prepaid expenses and other receivables	579	4
	<u>6,321</u>	<u>529</u>
<b>Property, plant and equipment</b> (note 6)	836	-
<b>Intangible assets</b> (note 7)	9,452	-
<b>Goodwill</b> (note 3)	11,534	-
	<u>28,143</u>	<u>529</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	3,742	91
Contract liabilities (note 9)	813	-
Lease liability, current portion (note 6)	80	-
Warranty liability, current portion (note 10)	836	-
	<u>5,471</u>	<u>91</u>
<b>Lease liability, non-current portion</b> (note 6)	623	-
<b>Warranty liability, non-current portion</b> (note 10)	277	-
<b>Promissory note</b> (note 11)	10,423	-
<b>Special warrants convertible to equity</b> (note 12)	11,931	-
<b>Deferred tax liability</b> (note 3)	1,045	-
	<u>29,770</u>	<u>91</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 13)	528	550
<b>Contributed surplus</b>	332	81
<b>Accumulated other comprehensive income</b>	(19)	-
<b>Deficit</b>	(2,469)	(193)
	<u>(1,627)</u>	<u>(438)</u>
	<u>28,143</u>	<u>529</u>

Nature of operations and going concern (Note 1)

**Approved by the Board of Directors**

(signed) "Brad Douville" Director (signed) "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 and Comprehensive Loss

(Unaudited)

(in thousands of Canadian dollars)

	<b>Three months ended June 30 2019 \$</b>	<b>Three months ended June 30 2018 \$</b>	<b>Six months ended June 30 2019 \$</b>	<b>Period from February 15 to June 30 2018 \$</b>
<b>Revenue</b>	911	-	911	-
<b>Cost of goods sold</b>	476	-	476	-
<b>Gross profit</b>	435	-	435	-
<b>General and administrative</b>	758	9	816	13
<b>Operating loss</b>	(323)	(9)	(381)	(13)
Finance costs relating to special warrants and interest on promissory note	1,660	-	1,660	-
Loss on change in fair value of special warrants (note 12)	55	-	55	-
Qualifying transaction expenses (note 3)	151	-	307	-
Foreign exchange gain on promissory note	(127)	-	(127)	-
<b>Loss before taxes and net loss</b>	(2,062)	(9)	(2,276)	(13)
<b>Other comprehensive income (loss)</b>	(19)	-	(19)	-
<b>Comprehensive loss</b>	(2,081)	(9)	(2,295)	(13)
Basic and diluted loss per share	(0.41)	0.00	(0.45)	0.00
Weighted average numbers of shares	5,120	4,000	5,060	4,000

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# 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 June 30, 2019

(in thousands of Canadian dollars)

	Share capital (number of shares)	Share capital \$	Contributed surplus \$	Accumulated comprehensive loss \$	Deficit \$	Total \$
<b>Private placement on incorporation</b>	4,000	200	-	-	-	200
Net loss for the period	-	-	-	-	(13)	(13)
<b>Balance – June 30, 2018</b>	4,000	200	-	-	(13)	187
Initial public offering (IPO) – net of issue costs	5,000	371	-	-	-	371
Options issued to agent in conjunction with IPO	-	(23)	22	-	-	(1)
Share-based payments	-	-	59	-	-	59
Net loss for the period	-	-	-	-	(181)	(181)
<b>Balance – December 31, 2018</b>	9,000	548	81	-	(194)	436
Additional IPO costs	-	(19)	-	-	-	(19)
Agent warrants issued on special warrants (note 12)	-	-	195	-	-	195
Share-based compensation expense (note 16)	-	-	56	-	-	56
Currency translation adjustment	-	-	-	(19)	-	(19)
Net loss for the period	-	-	-	-	(2,276)	(2,276)
<b>Balance – June 30, 2019</b>	9,000	529	332	(19)	(2,470)	(1,627)

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 June 30 2019 \$	Three months ended June 30 2018 \$	Six months ended June 30 2019 \$	February 15 to June 30 2018 \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Loss for the period	(2,081)	(9)	(2,295)	(13)
Adjustments for non-cash items				
Loss on change in fair value of special warrants	55	-	55	-
Foreign exchange gain on promissory note	(127)	-	(127)	-
Depreciation and amortization	79	-	79	-
Deferred finance costs	113	(24)	-	(33)
Finance expenses relating to special warrants and interest on promissory note	249	-	249	-
Share-based compensation	56	-	56	-
	(1,656)	(33)	(1,983)	(46)
Other adjustment				
Issuance costs of special warrants	1,478	-	1,478	-
Changes in current assets	(436)	-	(436)	-
Changes in current liabilities	20	7	297	20
Changes in inventories	(12)	-	(12)	-
Changes in construction contract position	(527)	-	(527)	-
	(1,134)	(26)	(1,184)	(26)
<b>Investing activities</b>				
Net cash consideration paid for PT Biogas Holdings Limited.	(2,215)	-	(2,215)	-
<b>Financing activities</b>				
Transaction costs	-	-	(20)	-
Net proceeds from private placement	6,916	-	6,916	200
	6,916	-	6,896	200
<b>Increase in cash</b>	3,567	(26)	3,497	174
<b>Cash – Beginning of period</b>	454	200	524	-
<b>Cash – End of period</b>	4,021	174	4,021	174

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) June 30, 2019**

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(in thousands of Canadian dollars)

## **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.

These condensed consolidated interim financial statements have been prepared by management on a going concern basis, 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 six months ended June 30, 2019, the Company incurred an operating loss of \$0.4 million and had operating cash outflow of \$1.2 million. As of June 30, 2019, the Company has working capital (including cash) of \$0.8 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. Consequently, the timing of contract awards can be delayed longer than expected. In the event that upgrader contract awards are delayed and cash flow from operations do 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 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.

# **Greenlane Renewables Inc.**

(formerly Creation Capital Corp.)

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

**(Unaudited) June 30, 2019**

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(in thousands of Canadian dollars)

Six 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 June 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 Company's Qualifying Transaction the Company has implemented additional accounting policies, as further described below.

These unaudited condensed consolidated interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 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.

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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, percentage of completion of upgrader contracts, warranty provisions, special warrant liability and determining the fair value when accounting for a business combination. Actual results could differ from those estimates.

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 stock-based compensation.

## **Intangible assets - Intellectual property**

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 asset" 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 4 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). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit 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.



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An impairment loss is recognized for the amount by which the asset's (or cash-generating unit'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 cash-generating unit 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 cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit.

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 cash-generating unit'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.

### **a) Financial assets**

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

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## Classification

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.

## Measurement

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.

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.

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- 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 trade 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.

### **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.

# **Greenlane Renewables Inc.**

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(in thousands of Canadian dollars)

## **Leases**

Contracts determined as leases are recognized as per the guidelines set out in IFRS 16, Leases. Leases of assets that confer a right to use in exchange for payment over a term exceeding 12 months, recognize an asset and liability at the commencement of the lease contract.

Where Greenlane 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, Greenlane'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.

## **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.

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(in thousands of Canadian dollars)

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.

## **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.

Greenlane'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.

## **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) 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, 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.

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(in thousands of Canadian dollars)

Once revenue has started to be recognized on an individual contract, Greenlane reports the position for each contract as either an asset or a liability. In instances where costs incurred plus recognized profits exceed billings to date an asset is recognized. Similarly, a liability is recognized where billings to date exceed costs incurred and profits 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) **Maintenance and spares**

Greenlane 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.

## **Revenue - Other income streams**

Interest receivable

Interest receivable is reported on an accrual basis using the effective interest method.

## **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:

- 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.

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(in thousands of Canadian dollars)

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. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

## **Foreign currency translation**

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.

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).

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(in thousands of Canadian dollars)

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, Greenlane Renewables Inc., the functional currency is Canadian dollar. The subsidiary companies have the following functional currencies: Greenlane Biogas North America Ltd the functional currency is Canadian dollar. PT Biogas Holdings Ltd, PT Biogas Technologies 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.

## **Income taxes**

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 June 30, 2019 and 2018 is 0%, as entity has incurred net losses in related periods.

## **Short-term employee benefits**

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of unused entitlement.

## **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.



# Greenlane Renewables Inc.

(formerly Creation Capital Corp.)

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(in thousands of Canadian dollars)

## Accounting standards issued and adopted

IFRS 16, Leases, was issued in January 2016 by the IASB and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has adopted IFRS 16 retrospectively from January 1, 2019.

## 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.

Headquartered in Canada, Greenlane 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 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:

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

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

# Greenlane Renewables Inc.

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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
Trade 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	(716)
	<hr/>
Identifiable net assets of business acquired	5,862
Goodwill	11,534
	<hr/>
	17,396

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. 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 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 \$0.9 million of revenue and \$2.1 million loss in the statement of operations and comprehensive loss. The loss includes \$1.9 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 June 30, 2019 assuming the Acquisition had occurred on January 1, 2019 is \$2.9 million and \$5.0 million, respectively. The loss includes \$2.2 million of non-recurring expenses as described in the previous paragraph.

# Greenlane Renewables Inc.

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## 4 Trade accounts receivable

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Receivables due within normal terms of payment	1,090	-
Past due receivables	445	-
	<hr/> 1,535	<hr/> -
Allowance for expected credit losses	(63)	-
Trade receivables, net of allowance for expected credit losses	<hr/> 1,472	<hr/> -

## 5 Inventory

Inventory consist of spare parts required to maintain upgrader plants Cost of goods sold includes \$0.1 million related to spare parts.

## 6 Property, plant and equipment

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

	<b>\$</b>
Property, plant and equipment	133
Right-of-use asset	<hr/> 703
	<hr/> 836

# Greenlane Renewables Inc.

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

	\$
<b>Cost</b>	
Balance at December 3,1 2018	-
Additions	140
Disposals	-
	<hr/>
Balance at June 30, 2019	<u>140</u>
<b>Accumulated depreciation</b>	
Balance at December 3,1 2018	-
Additions	7
Disposals	-
	<hr/>
Balance at June 30, 2019	<u>7</u>
<b>Net book value</b>	
At June 30, 2019	<u>133</u>

### Right-of-use asset 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. The asset and liability 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 on June 3, 2019. The incremental borrowing rate was 7% per annum.

	<b>Right of use asset \$</b>	<b>Lease liability \$</b>
<b>Building lease</b>		
Balance at June 3, 2019	716	716
Depreciation	(13)	-
Lease payment	-	(17)
Interest expense	-	4
	<hr/>	<hr/>
Carrying value at June 30, 2019	<u>703</u>	<u>703</u>
Current portion of lease liability	-	80
Non-current portion of lease liability	-	623

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The lease has a remaining term of four years and three months and future payments are presented in the following table:

	\$
Year 1	146
Year 2	157
Year 3	172
Year 4	186
Year 5	42

**7 Intangible assets – definite life**

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

	<b>Patents, trademarks and design \$</b>
<b>Cost</b>	
Balance at December 31, 2018	-
Additions	<u>9,517</u>
Balance at June 30, 2019	<u>9,517</u>
<b>Accumulated amortization</b>	
Balance at December 31, 2018	-
Additions	<u>65</u>
Balance at June 30, 2019	<u>65</u>
<b>Net book value</b>	
At June 30, 2019	9,452

# Greenlane Renewables Inc.

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## 8 Accounts payable and accrued liabilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	1,086	91
Accrued liabilities	235	-
Accrued costs related to projects	2,421	-
	<hr/>	<hr/>
	3,742	91
	<hr/>	<hr/>

## 9 Contract liabilities

Contract liabilities relate to four projects where billings have been invoiced to customers that have not yet been recognized as revenue.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Contract liabilities	813	-
	<hr/>	<hr/>

## 10 Warranty liabilities

Greenlane provides a warranty following the sale of certain products. As a consequence, Greenlane 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 no charges against the provision and no unwinding of the provision in the six months ended June 30, 2019. As the warranties are short-term in nature, no discounting has been assumed.

	<b>\$</b>
<b>Balance at December 31, 2018</b>	-
Provision assumed on completion of QT	1,113
Reduction in provision	<hr/> -
<b>Balance at June 30, 2019</b>	1,113
Less: Current portion	<hr/> (836)
<b>Non-current portion</b>	<hr/> 277

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(in thousands of Canadian dollars)

## 11 Promissory note

As part of the consideration for the Acquisition, 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 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.

## 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. 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.

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	-

The Financing was completed in connection with the Company's QT. The gross proceeds were deposited into escrow pending satisfaction of the conditions precedent to the QT and certain other escrow release conditions.

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. Each special warrant 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 on August 9, 2019.

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

# Greenlane Renewables Inc.

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The special warrants are convertible instruments which, upon conversion, result in another convertible instrument (the warrant) being issued. As a result, the special warrants do not meet the definition of equity, as defined in IAS 32 Financial Instruments, and instead are recognized as a financial liability measured at fair value through profit and loss. The Company recorded a non-cash loss of \$0.1 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 the June 30, 2019. In addition, the classification of the special warrants as financial liabilities requires issuance costs of \$1.6 million to be expensed in the consolidated statement of operations and comprehensive loss, rather than being deducted from equity.

On August 9, 2019, after the Company filed qualifying prospectuses, the special warrants automatically converted into common shares and warrants and the special warrant liability balance was transferred to equity. Based on the fair value of the special warrants on August 9, 2019, the Company expects to record a non-cash gain of approximately \$0.3 million, during the period ending September 30, 2019.

The Company received net proceeds of \$7.0 million from the Financing after deducting cash expenses of \$1.4 million.

### 13 Share capital

Authorized

Unlimited number of voting common shares without par value

Issued and fully paid

	<b>\$</b>
9,000,000 common shares	<u>528</u>

#### Share issuance for six months ending June 30, 2019

There were no common shares issued during the six months ended June 30, 2019.

#### Share issuances for six months ending June 30, 2018

On February 15, 2018, certain directors and officers of the Company subscribed for 3,000,000 common shares of the Company at \$0.05 per share, for total receipts of \$150,000. No costs were incurred in connection with this share issuance. In addition, 1,000,000 common shares of the Company at \$0.05 per share were subscribed for by persons other than directors and officers of the Company for total proceeds of \$50,000. At June 30, 2019 3,600,000 of these common shares are held in escrow and 15% will be released every six months starting December 6, 2019 over a period of 36 months.



# Greenlane Renewables Inc.

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### Loss per share

Basic and diluted loss per share are calculated by dividing net loss by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All of the escrow shares are considered contingently returnable until the Company completes a QT and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation. At June 30, 2019, 3,600,000 common shares have been excluded from the calculation as they are subject to escrow provisions.

### Agents' options and warrants outstanding

The Company has the following agent options and warrants outstanding at June 30, 2019, each one convertible into one common share:

	Number	Exercise price \$	Expiry
<b>Date issued</b>			
October 29, 2018	500,000	0.10	October 29, 2020
May 30, 2019	2,537,350	0.20	June 3, 2021

## 14 Credit facilities

The Company has an irrevocable letter of guarantee facility of \$3.2 million with TD Bank which is guaranteed by Export Development Canada. The facility is used to provide advance payment and performance guarantees to certain customers. At June 30, 2019 the facility was fully utilized.

## 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 six months ended June 30, 2019 and 2018 is outlined below:

	Six months ended June 30, 2019 \$	Period from February 15 to June 30, 2018 \$
Salary and management fees	33	-
Shared-based compensation	56	-
	<hr/>	
	89	-
	<hr/>	

# Greenlane Renewables Inc.

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(in thousands of Canadian dollars)

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 \$10.4 million for the promissory note.

### 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 six months ended June 30, 2019:

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance at December 31, 2018	675	0.10
Granted	3,150	0.20
	<hr/>	
Balance at June 30, 2019	3,825	0.16

At June 30, 2019 689,795 options were exercisable (December 31, 2018 – 675,000).

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

<b>Exercise price</b>	<b>Number outstanding \$</b>	<b>Weighted average remaining life in years \$</b>
\$0.10	675,000	9.3
\$0.20	3,150,000	4.9

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The Company used the Black-Scholes option pricing model to estimate the fair value of each option on the grant date. For the options granted during the six months ended June 30, 2019, the Company used the following assumptions:

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

The estimated aggregate fair value of the options granted during the six months ended June 30, 2019 was \$393. The Company recognized stock-based compensation expense of \$56 for the six months ended June 30, 2019 (2018 – \$nil).

### 17 Segmented information

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Upgrader projects	608	-	608	-
Aftercare services	303	-	303	-
	<b>911</b>	<b>-</b>	<b>911</b>	<b>-</b>

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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.

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Upgrader projects revenue</b>				
North America	608	-	608	-
Europe	-	-	-	-
	<b>608</b>	<b>-</b>	<b>608</b>	<b>-</b>
<b>Aftercare services revenue</b>				
North America	42	-	42	-
Europe	261	-	261	-
	<b>303</b>	<b>-</b>	<b>303</b>	<b>-</b>
<b>Total revenue</b>				
North America	650	-	650	-
Europe	261	-	261	-
	<b>911</b>	<b>-</b>	<b>911</b>	<b>-</b>
			<b>June 30,</b>	<b>December 31,</b>
			<b>2019</b>	<b>2018</b>
			<b>\$</b>	<b>\$</b>
<b>Property and equipment</b>				
Canada			95	-
United Kingdom			38	-
			<b>133</b>	<b>-</b>

The Company's intangible assets, net of accumulated amortization, amounting to \$9.5 million, are located in the United Kingdom.

The Company had three customers that each accounted for more than 10% of total revenue during both the three and six months ended June 30, 2019.

# Greenlane Renewables Inc.

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(in thousands of Canadian dollars)

## 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 of 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 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 six months ended June 30, 2019.

At June 30, 2019 and 2018, the carrying amounts of cash and cash equivalents, accounts receivable, other assets, 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.

The following table summarizes the carrying and fair value of the Company's financial instruments:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	4,021	524
Trade accounts receivable	1,472	-
Accounts payable and accrued liabilities	3,742	91
Promissory note	10,423	-
Special warrants	11,931	-

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The fair values of cash, accounts receivable, accounts payable and the promissory note are not materially different from the carrying values, due largely to there being no significant changes in the time elapsed between initial fair value estimations in the provisional purchase price allocation and June 30, 2019. The estimation of fair value involves judgments about the appropriate discount rate.

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. 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, UK pounds sterling 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 United States dollar, UK pounds sterling 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 Greenlane'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:

	<b>Financial assets</b>		<b>Financial liabilities</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
GBP	446	-	3,088	-
Euro	383	-	6	-
US dollar	477	-	24	-
NZ dollar	2	-	6	-

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

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(in thousands of Canadian dollars)

## Foreign currency sensitivity analysis

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

	<b>GBP</b>	<b>Euro</b>	<b>US dollar</b>	<b>NZ dollar</b>
10% weakening of the Canadian dollar (increase)/decrease the net loss	(482)	63	86	(392)
10% strengthening of the Canadian dollar (increase)/decrease the net loss	399	(52)	(54)	328

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

A substantial amount of Greenlane'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.

# **Greenlane Renewables Inc.**

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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.



