Greenlane™
Biogas Upgrading Solutions

Greenlane Renewables Inc. Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2024 and 2023

(Unaudited)

(Expressed in thousands of Canadian dollars)

(Unaudited) (in thousands of Canadian dollars)

As at		March 31, 2024		December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**7,218**	$	11,790
Restricted cash		**1,638**		1,603
Accounts receivable *(note 6)*		**23,867**		10,514
Inventory		**1,728**		2,063
Prepaid expenses and other assets		**1,697**		1,665
Contract assets *(note 7)*		**8,669**		12,876
Notes receivable		**905**		859
Assets held for sale *(note 5)*		**853**		-
		46,575		41,370
Non-current assets:				
Property and equipment *(note 8)*		**2,594**		2,375
Intangible assets		**2,676**		2,830
Goodwill		**7,741**		7,780
TOTAL ASSETS	**$**	**59,586**	$	54,355
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities *(note 9)*	**$**	**25,890**	$	19,719
Contract liabilities *(note 7)*		**3,350**		3,547
Current portion of lease liability *(note 10)*		**299**		232
Current portion of warranty liability		**985**		1,190
Deferred consideration – contingent earn-out *(note 11)*		**1,516**		-
Liabilities associated with assets held for sale *(note 5)*		**540**		-
		32,580		24,688
Non-current liabilities:				
Deferred consideration – contingent earn-out *(note 11)*		**-**		1,777
Lease liability *(note 10)*		**1,957**		1,719
Warranty liability		**200**		200
Deferred tax liability		**620**		669
Total liabilities		**35,357**		29,053
Shareholders' equity				
Share capital		**65,845**		65,814
Contributed surplus		**5,062**		4,893
Accumulated other comprehensive loss		**(131)**		(153)
Deficit		**(46,547)**		(45,252)
Total shareholders' equity		**24,229**		25,302
TOTAL LIABILITIES AND EQUITY	**$**	**59,586**	$	54,355

See accompanying notes to the condensed consolidated interim financial statements

Nature of operations and going concern *(note 1)*

Approved by the Board of Directors and authorized for issue on May 9, 2024

"Wade Nesmith" Director *"Elaine Wong"* Director

Greenlane Renewables Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

For the three months ended March 31,		2024		2023 restated *(note 5)*
Revenue *(note 14)*	$	18,129	$	14,759
Cost of goods sold (before amortization)		13,319		11,210
		4,810		3,549
Amortization of:				
Intangible assets		138		473
Property and equipment		86		36
Gross profit		4,586		3,040
Operating expenses:				
Amortization of office equipment		53		88
General and administration		4,989		4,558
Research and development		65		223
Sales and marketing		293		363
Share based compensation *(note 13)*		200		355
		5,600		5,587
Operating loss		(1,014)		(2,547)
Other items:				
Finance expense		35		16
Finance income		(104)		(208)
Other (income) loss		(252)		21
Foreign exchange gain		(131)		(237)
Loss before income taxes		(562)		(2,139)
Income taxes:				
Current		302		136
Deferred recovery		(46)		(54)
Total income taxes		256		82
Net loss		(818)		(2,221)
Other comprehensive income:				
Item that may be subsequently reclassified:				
Exchange difference on translating foreign operations		(22)		(176)
NET LOSS AND COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	$	(796)	$	(2,045)
Loss and comprehensive loss income from discontinued operations *(note 5)*		(477)		(73)
NET LOSS AND COMPREHENSIVE LOSS	$	(1,273)	$	**(2,118)**
Basic and diluted loss per share from continuing operations	$	(0.01)	$	(0.01)
Basic and diluted loss per share from discontinued operations		0.00		0.00
Basic and diluted loss per share	$	(0.01)	$	(0.01)
Weighted average number of shares		154,012,113		152,698,339
Diluted weighted average number of shares		154,012,113		152,698,339

See accompanying notes to the condensed consolidated interim financial statements

Greenlane Renewables Inc.
Condensed Consolidated Interim Statements of Changes in Equity

Greenlane™
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(Unaudited) (in thousands of Canadian dollars, except for number of common shares)

	Common shares		Common shares		Contributed surplus		Cumulative translation adjustment		Deficit		Total
Balance, January 1, 2023	**152,040,781**	**$**	**65,253**	**$**	**4,280**	**$**	**(378)**	**$**	**(15,672)**	**$**	**53,483**
Share based compensation	-		-		355		-		-		355
Options and restricted share units exercised	202,160		63		(46)		-		-		17
Acquisition share issuance	770,298		362		-		-		-		362
Net income (loss) and comprehensive income (loss)	-		-		-		201		(2,319)		(2,118)
Balance, March 31, 2023	**153,013,239**	**$**	**65,678**	**$**	**4,589**	**$**	**(177)**	**$**	**(17,991)**	**$**	**52,099**
Balance, January 1, 2024	**153,790,399**	**$**	**65,814**	**$**	**4,893**	**$**	**(153)**	**$**	**(45,252)**	**$**	**25,302**
Share based compensation	-		-		200		-		-		200
Restricted share units exercised	237,837		31		(31)		-		-		-
Net income (loss) and comprehensive income (loss)	-		-		-		22		(1,295)		(1,273)
Balance, March 31, 2024	**154,028,236**	**$**	**65,845**	**$**	**5,062**	**$**	**(131)**	**$**	**(46,547)**	**$**	**24,229**

See accompanying notes to the condensed consolidated interim financial statements

(Unaudited) (in thousands of Canadian dollars)

For the three months ended March 31,	**2024**	2023 restated *(note 5)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (818)**	$ (2,221)
Adjustments for:		
Amortization of:		
Intangible assets	**138**	473
Property and equipment	**86**	36
Office equipment	**53**	88
Share based compensation	**200**	355
Finance expense	**35**	16
Finance income	**(104)**	(208)
Other (income) loss	**(252)**	21
Foreign exchange gain	**(131)**	(237)
Deferred income tax recovery	**(46)**	(54)
Cash used in operating activities before non-cash working capital	**(839)**	(1,731)
Interest paid on lease liability	**(36)**	(15)
Interest received	**77**	149
Net change in non-cash working capital *(note 15)*	**(2,929)**	(2,853)
Cash used in continuing operations	**(3,727)**	(4,450)
Cash used in discontinued operations *(note 5)*	**(737)**	(361)
Net cash used in operating activities	**(4,464)**	(4,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes receivable	**-**	(156)
Purchase of property and equipment	**(59)**	(40)
Net cash used in investing activities	**(59)**	(196)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	**-**	17
Lease principal payments	**(34)**	(68)
Cash used in continuing operations	**(34)**	(51)
Cash used in discontinued operations *(note 5)*	**(27)**	(11)
Net cash used in financing activities	**(61)**	(62)
Net change in cash and cash equivalents	**(4,584)**	(5,069)
Cash and cash equivalents, beginning of period	**11,790**	21,381
Effect of translation on foreign cash	**12**	(14)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 7,218**	**$** 16,298

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of Operations and Going Concern

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

These condensed consolidated interim financial statements have been prepared by management using generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for at least twelve months from March 31, 2024. As at March 31, 2024, the Company had working capital of $14.0 million (December 31, 2023 – $16.7 million).

The continuing operations of the Company are dependent upon its ability to continue to secure system sales upgrader contracts to realize profitable operations in the future. Contract awards are dependent on customer-related factors such as specifying system design, securing project financing and permitting, government-related factors such as the continuance of existing and the introduction of new policies, mandates and regulations that encourage the use of renewable natural gas. There can be no assurance that management will be successful in securing these system sale upgrader contracts. In addition, the timing of contract awards can be delayed longer than expected. In the event that system sale upgrader contract awards are not secured or are delayed and as a result, cash flow from operations does not adequately support the fixed costs of the Company, the Company may then be required to re-evaluate its planned expenditures and may require future financings in such a manner as the Board of Directors of the Company (the "**Board**") 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. Management believes that the Company will be able to continue to secure system sale upgrader contracts and realize profitable operations in the future however, there can be no assurance that these plans including obtaining financing, if necessary, will be successful.

The above factors represent a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities, reported revenues, expenses and statements of financial position classifications which may be required should the Company be unable to continue as a going concern. These adjustments may be material.

2. Basis of Presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") applicable to the preparation of interim financial statements, including International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and should be read in conjunction with the Company's most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's most recent financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on May 9, 2024.

(b) Functional and presentation currency

The reporting currency selected for the presentation of these consolidated financial statements is the Canadian dollar.

The Company and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise. The functional currency for each subsidiary is included in the table in note 2(c) – Basis of consolidation.

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

2. Basis of Presentation (continued)

(b) Functional and presentation currency (continued)

The Company has foreign operations which are translated to the Company's presentation currency for inclusion in the consolidated financial statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect on the transaction date. The resulting translation gains and losses are included in other comprehensive income ("**OCI**") with cumulative gains or losses reported in Accumulated Other Comprehensive Income (Loss) ("**AOCI**"). Amounts previously recognized in AOCI are recognized in net earnings when there is a reduction in a foreign net investment as a result of a disposal, partial disposal, or loss of control.

(c) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These entities are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements of Greenlane include the following significant subsidiaries ("**Subsidiary**") listed below. The ultimate holding entity of the entities listed is Greenlane.

			Ownership Interest	
Entity	Jurisdiction	Functional Currency	2024	2023
Airdep S.r.l.	Italy	Euro	100%	100%
Greenlane Renovaveis do Brasil Ltda.	Brazil	Brazilian Real	100%	100%
Greenlane Biogas Europe Limited	United Kingdom	Great Britain Pound	100%	100%
Greenlane Renewables Europe B.V.	Netherlands	Euro	100%	100%
Greenlane Renewables Global Limited	Canada	Canadian Dollar	100%	100%
Greenlane Biogas Italy S.r.l.	Italy	Euro	100%	100%
Greenlane Renewables North America Limited	Canada	Canadian Dollar	100%	100%
Greenlane Renewables U.K. Limited	United Kingdom	Great Britain Pound	100%	100%
Greenlane Biogas US Corp.	United States	United States Dollar	100%	100%
Greenlane Renewables Capital Inc.	United States	United States Dollar	100%	100%
PT Biogas Holdings Limited	United Kingdom	Great Britain Pound	100%	100%
PT Biogas Technology Limited	United Kingdom	Great Britain Pound	100%	100%

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying value of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from these estimates and the differences could be material. Estimates and judgements are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods.

3. Determination of Fair Values

A number of the Company's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuation based on observables inputs other than quoted active market prices; and
- Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Notes receivable

The fair value of notes receivable is estimated as the present value of future cash flows, discounted at the market rate of interest as at the reporting date. The fair value approximates the carrying value due to the short time to maturity.

(b) Share based compensation transactions

The fair value of share options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments adjusted for forfeitures (based on historical experience and general holder behavior), the expected dividends and the risk-free interest rate (based on government bonds).

(c) Deferred consideration – contingent earn-out

The fair value of deferred consideration – contingent earn-out is estimated using the income approach which is the estimated present value of future cash flows, discounted at the market rate of interest at the reporting date.

4. Material and Other Accounting Policies

In addition to the accounting policies and methods of application described in the consolidated financial statements for the years ended December 31, 2023 and 2022, the Company also has the following accounting policy which has been applied consistently to the periods presented:

a) Assets held for sale and discontinued operations

Assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that their carrying value will be recovered primarily through sale rather than through future operating cash flows. This classification requires that, at the balance sheet date, the Company has been engaged in an active sales process to market the assets or disposal group at a price that approximates their fair value, with a transaction expected to close within one year. Before assets or disposal groups are classified as held for sale, they are assessed for indicators of impairment or reversal of a previously recorded impairment and are measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment charges or recoveries are recognized through profit and loss. Assets held for sale are classified as current assets and not subject to depreciation. Liabilities associated with assets held for sale are classified as current liabilities.

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

5. Assets Held for Sale and Discontinued Operations

Subsequent to March 31, 2024, the Company disposed of Greenlane Renewables UK Limited for gross proceeds of $298 (£174) or $63 (£37) net of cash on hand at closing. Comparative period balances have been restated as follows.

As at March 31, 2024, the disposal group comprised the following assets and liabilities that have been classified as held for sale:

As at March 31, 2024		
Cash and cash equivalents	**$**	**243**
Accounts receivable		**264**
Inventory		**272**
Prepaid expenses and other assets		**74**
Assets held for sale	**$**	**853**
Accounts payable and accrued liabilities	**$**	**503**
Lease liabilities		**37**
Liabilities associated with assets held for sale	**$**	**540**

The following table provides the operating results of this discontinued operation:

For the three months ended March 31,		2024		2023
Revenue	**$**	**489**	$	720
Cost of goods sold (before amortization)		**275**		493
Gross profit		**214**		227
Operating expenses:				
Amortization of office equipment		**20**		23
General and administration		**308**		349
		328		372
Operating loss		**(114)**		(145)
Other items:				
Impairment loss on inventory and property and equipment		**342**		-
Finance expense		**1**		2
Foreign exchange loss (gain)		**20**		(49)
Net loss		**(477)**		(98)
Other comprehensive (income) loss				
Item that may be subsequently reclassified:				
Exchange difference on translating foreign operations		**-**		(25)
NET LOSS AND COMPREHENSIVE LOSS	**$**	**(477)**	**$**	(73)

The following table provides the details of the cash flow used in this discontinued operation:

For the three months ended March 31,		2024		2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(477)**	$	(98)
Adjustments for:				
Amortization of office equipment		**20**		23
Impairment loss on inventory and property and equipment		**342**		-
Finance expense		**1**		2
Foreign exchange loss (gain)		**20**		(49)
Cash used in operating activities before non-cash working capital		**(94)**		(122)
Interest paid on lease liability		**(1)**		(2)
Net change in non-cash working capital		**(642)**		(237)
Net cash used in operating activities	**$**	**(737)**	$	(361)

Cash flows used in financing activities relates to lease principal payments for $27 for the three months ended March 31, 2024 (March 31, 2023 - $11).

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

6. Accounts Receivable

As at		March 31, 2024		December 31, 2023
Trade accounts receivable, net of provision	**$**	**23,585**	$	9,804
Other receivables		**282**		710
	$	**23,867**	$	10,514

The aging analysis of trade receivables is as follows:

As at		March 31, 2024		December 31, 2023
<31 days	**$**	**19,606**	$	5,415
31 – 60 days		**2,066**		1,365
61 – 90 days		**504**		944
>90 days		**3,771**		4,235
Allowance for doubtful accounts		**(2,362)**		(2,155)
Trade accounts receivable, net of provision	**$**	**23,585**	$	9,804

7. Contract Assets and Liabilities

		Balance, January 1, 2024		Revenue recognized		Progress billings		Balance, March 31, 2024
Contract assets	$	12,876	$	15,419	$	(19,626)	$	8,669
Contract liabilities	$	(3,547)	$	821	$	(624)	$	(3,350)

		Balance, January 1, 2023		Revenue recognized		Progress billings		Balance, December 31, 2023
Contract assets	$	14,527	$	43,224	$	(44,875)	$	12,876
Contract liabilities	$	(1,069)	$	5,506	$	(7,984)	$	(3,547)

The Company receives payments from customers based on the stage of completion of a contract. Contract assets relate to the Company's conditional right to consideration for the completed performance under the contract. Accounts receivable are recognized when the right to the consideration becomes unconditional. Contract liabilities relate to stage payments that are received in advance of performance under the contract for both system sales contracts and royalty contracts.

The revenue recognized during the period and the contract balances for the period ended March 31, 2024 primarily relate to 10 projects (26 projects for the year ended December 31, 2023).

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

8. Property and Equipment

		Machinery and equipment		Right-of-use assets		Total
Cost						
Balance, January 1, 2023	$	1,064	$	2,113	$	3,177
Additions		197		1,001		1,198
Foreign exchange adjustment		3		24		27
Balance, December 31, 2023		1,264		3,138		4,402
Additions		45		406		451
Transferred to assets held for sale		(190)		(359)		(549)
Foreign exchange adjustment		(3)		(7)		(10)
Balance, March 31, 2024	**$**	**1,116**	**$**	**3,178**	**$**	**4,294**
Accumulated amortization						
Balance, January 1, 2023	$	521	$	924	$	1,445
Amortization		243		338		581
Foreign exchange adjustment		-		1		1
Balance, December 31, 2023		764		1,263		2,027
Amortization		53		87		140
Transferred to assets held for sale		(150)		(314)		(464)
Foreign exchange adjustment		(2)		(1)		(3)
Balance, March 31, 2024	**$**	**665**	**$**	**1,035**	**$**	**1,700**
Carrying value						
At December 31, 2023		500	$	1,875	$	2,375
At March 31, 2024	**$**	**451**	**$**	**2,143**	**$**	**2,594**

9. Accounts Payable and Accrued Liabilities

As at		**March 31, 2024**		December 31, 2023
Trade accounts payable	**$**	**4,223**	$	3,007
Income taxes payable		**288**		87
Accrued liabilities		**2,806**		2,987
Accrued costs related to system sales		**18,559**		13,570
Deferred aftercare revenue		**14**		68
Accounts payable and accrued liabilities	**$**	**25,890**	$	19,719

10. Lease Liabilities

The Company recognizes right-of-use assets (note 8) and lease liabilities in relation to office leases of Greenlane's head office in Burnaby, British Columbia, Canada, and Vicenza, Italy.

The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates between 5.75% and 7% at the time the lease was assumed or commenced.

As at		**March 31, 2024**		December 31, 2023
Balance, beginning of the year	**$**	**1,951**	$	1,235
Additional leases		**406**		1,001
Lease payments		**(96)**		(383)
Finance fees		**36**		81
Transferred to liabilities associated with assets held for sale		**(37)**		-
Foreign exchange adjustment		**(4)**		17
Balance, end of the period		**2,256**		1,951
Current portion		**(299)**		(232)
Non-current portion of lease liabilities	**$**	**1,957**	$	1,719

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

10. Lease Liabilities (continued)

Payments of principal amounts owing are as follows:

April 2024 – March 2025	$	299
April 2025 – March 2026		320
April 2026 – March 2027		359
April 2027 – March 2028		387
April 2028 and thereafter		891
	$	2,256

11. Deferred Consideration – Contingent Earn-Out

The deferred contingent earn-out payment is payable in early 2025 based on certain financial performance targets of Airdep S.r.l. ("**Airdep**") and will be payable in cash or a combination of cash and Company shares, at the Company's option, up to a maximum of €2.5 million. The fair value is based on a range of payout scenarios from €0.9 million to €2.5 million driven by the estimated future financial performance of Airdep and discounted at a rate of 0.5%. The discount rate was selected based on the corporate yield for industrial companies on February 1, 2022, rated BBB.

At March 31, 2024 the carrying value was $1.5 million (December 31, 2023 - $1.7 million). Changes are recognized as other (income) loss in the condensed consolidated interim statement of loss and comprehensive loss.

12. Credit Facilities

The Company has a $26.5 million standby letter of credit facility (the "**Facility**") that provides the Company the ability to issue standby letters of credit to its customers for system supply contracts that have advance payment and performance security requirements. As at March 31, 2024, the Company had issued $12.0 million and committed to issue $13.5 million in standby letters of credit on the Facility.

The Company also has $7.2 million in advance payment bonds and performance bonds outstanding. The Company was required to provide a cash deposit of $1.6 million, classified as restricted cash, to partially secure the bonds.

Upon demand of any standby letter of credit, advance payment bond or performance bond, the Company would be required to compensate the counterparty for any losses and expenses incurred, as applicable.

13. Share Based Compensation

(a) Omnibus Incentive Plan

The Company has in place a stock option plan (the "**Legacy Option Plan**") and a restricted share unit plan (the "**Legacy RSU Plan**") which were adopted by the Company in 2018 and 2020, respectively. Following the Company's transition to the Toronto Stock Exchange ("**TSX**") in early 2021, the Company introduced a new omnibus incentive plan (the "**Omnibus Incentive Plan**") under which the Company can award stock options ("**Options**") and restricted share units ("**RSUs**") following the policies, rules and regulations of the TSX.

The Omnibus Incentive Plan is a rolling plan where the Company is entitled to issue Options and RSUs in respect of a maximum number of common shares equal to 10% of the issued and outstanding common shares, less the aggregate number of common shares issuable under the existing Legacy Option Plan and Legacy RSU Plan. At March 31, 2024, Options and RSUs issued under the Legacy Option Plan, the Legacy RSU Plan and the Omnibus Incentive Plan represented 7% of issued and outstanding common share capital.

All Options granted under the Legacy Option Plan will continue to be governed by the Legacy Option Plan and all RSUs granted under the Legacy RSU Plan will continue to be governed by the Legacy RSU Plan. No further Options or RSUs will be granted under the Legacy Option Plan or Legacy RSU Plan.

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

13. Share Based Compensation (continued)

(b) Options

A summary of the Company's Options outstanding under both the Omnibus Incentive Plan and the Legacy Option Plan, including Options granted to agents, is as follows:

	Number of Options		Weighted average exercise price
Balance, January 1, 2023	7,039,472	$	0.70
Granted	1,254,000		0.22
Exercised	(185,000)		0.20
Forfeited	(1,367,345)		0.99
Balance, December 31, 2023	6,741,127		0.56
Forfeited	(99,001)		0.79
Balance, March 31, 2024	**6,642,126**	**$**	**0.55**

As at March 31, 2024, 4,719,258 Options were exercisable.

	Share options outstanding March 31, 2024			Share options exercisable March 31, 2024	
Exercise Price	**Number of share option**	**Remaining contractual life**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
$0.10 - $0.50	**4,308,667**	**2.18 years**	**$ 0.21**	**3,163,339**	**$ 0.21**
$0.51 - $1.00	**458,334**	**2.75 years**	**$ 0.65**	**191,674**	**$ 0.67**
$1.01 - $1.50	**1,328,120**	**2.84 years**	**$ 1.15**	**936,981**	**$ 1.15**
$1.51 - $1.94	**547,005**	**2.29 years**	**$ 1.72**	**427,264**	**$ 1.73**
	6,642,126	**2.36 years**	**$ 0.55**	**4,719,258**	**$ 0.55**

(c) Restricted Share Unit Plan

A summary of the Company's RSUs outstanding under both the Legacy RSU Plan and the Omnibus Incentive Plan is as follows:

	Number of RSUs
Balance, January 1, 2023	1,968,887
Granted	3,612,500
Exercised	(877,746)
Forfeited	(429,830)
Balance, December 31, 2023	4,273,811
Granted	650,000
Exercised	(301,233)
Forfeited	(234,567)
Balance, March 31, 2024	**4,388,011**

In January 2024, the Company granted 650,000 RSUs to the directors and advisors with vesting over 6 months with a fair value of $0.1 million. The fair value per RSU was determined based on the Company's share price on the grant date with no adjustments for dividend yield or other terms and conditions.

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

14. Revenue

The following table represents where the Company's activities are located, the contracting entity may be domiciled in a different country.

For the three months ended March 31,	2024	2023
System sales:		
South America	$ 10,625	$ 3,074
North America	3,272	8,684
Europe	1,522	1,701
	15,419	13,459
Aftercare service:		
South America	151	305
North America	956	249
Europe	776	746
	1,889	1,300
Royalty contracts:		
South America	821	-
Total revenue:		
South America	11,603	3,379
North America	4,228	8,933
Europe	2,298	2,447
	$ 18,129	$ 14,759

15. Non-Cash Working Capital

The net changes to non-cash working capital are as follows:

For the three months ended March 31,	2024	2023
Restricted cash	$ (35)	$ 1
Accounts receivable	(13,255)	(1,725)
Inventory	49	(108)
Prepaid expenses and other assets	(86)	(272)
Contract assets	4,099	2,218
Accounts payable and accrued liabilities	6,700	(3,078)
Contract liabilities	(401)	111
Non-cash working capital	$ (2,929)	$ (2,853)

16. Related Party Transactions

Key management includes Directors, the Executive Vice Chair, the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and the Chief Operating Officer ("**COO**"), who have the authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration paid and payable to these key management personnel is outlined below:

For the three months ended March 31,	2024	2023
Non-executive directors' fees	$ 71	$ 171
Salaries and short-term benefits	522	323
Equity-based compensation	146	79
Related party transactions	$ 739	$ 573

(Unaudited) (in thousands of Canadian dollars, except as noted and per share amounts)

17. Financial Instruments

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration.

(a) Fair value

Due to the short-term nature of cash and cash equivalents, restricted cash, accounts receivable, assets held for sale, notes receivable, liabilities associated with assets held for sale, and accounts payable and accrued liabilities, the Company has determined that the carrying amounts approximate fair value.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, contract assets and notes receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents and restricted cash with high credit quality financial institutions, and through the performance of credit checks for all new customers.

(c) 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 ("**USD**"), Great Britain Pound ("**GBP**"), Euros and Brazilian Real ("**BRL**"). 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 USD, GBP, Euros and BRL cash on hand to fund its anticipated short-term foreign currency expenditures.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2024, the Company has no variable-rate interest-bearing financial assets or liabilities.

(e) Liquidity 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 with cash. The Company's ability to do this relies on the Company maintaining sufficient cash in excess of anticipated needs. See note (1) – nature of operations and going concern.

The Company enters into contracts that give rise to commitments in the normal course of business for future minimum payments. The following table summarizes the remaining contractual maturities of its financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows:

as at March 31, 2024	**Carrying amount**	**Contractual cash flow**	**Less than 12 months**	**1 - 2 years**	**2 – 3 years**	**Thereafter**
Accounts payable and accrued liabilities	**$ 25,890**	**$ 25,890**	**$ 25,890**	**$ -**	**$ -**	**$ -**
Lease liability	**2,256**	**2,741**	**481**	**887**	**871**	**502**
Warranty liability	**1,185**	**1,185**	**985**	**200**	**-**	**-**
Liabilities associated with assets held for sale	**540**	**540**	**540**	**-**	**-**	**-**
Deferred consideration – contingent earn-out	**1,516**	**1,595**	**1,595**	**-**	**-**	**-**
	$ 31,387	**$ 31,951**	**$ 29,491**	**$ 1,087**	**$ 871**	**$ 502**

18. Contingent Liabilities

As part of normal ongoing operations, it is possible that the Company could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of the Company.

19. Subsequent Event

On April 15, 2024, the Company disposed of Greenlane Renewables UK Limited, see note 5 – Assets held for sale and Discontinued operations for more details.