



GREENLANE RENEWABLES INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

**For the Three and Nine Months Ended September 30,
2023 and 2022**

(Unaudited)

(Expressed in thousands of Canadian dollars)

Greenlane Renewables Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited) (in thousands of Canadian dollars)

As at	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,907	\$ 21,381
Restricted cash	1,636	1,694
Accounts receivable (note 5)	9,346	13,027
Inventory	2,630	1,129
Prepaid expenses and other assets	1,584	1,266
Contract assets (note 6)	9,404	14,527
	41,507	53,024
Non-current assets:		
Notes receivable (note 7)	851	1,752
Property and equipment (note 8)	2,387	1,732
Intangible assets (note 9)	6,954	8,349
Goodwill	18,000	18,082
Deferred tax asset	393	448
TOTAL ASSETS	\$ 70,092	\$ 83,387
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 18,309	\$ 23,021
Contract liabilities (note 6)	3,449	1,069
Deferred consideration – share issuance (note 4)	-	361
Current portion of lease liability (note 11)	236	268
Current portion of warranty liability (note 12)	1,098	1,062
	23,092	25,781
Non-current liabilities:		
Deferred consideration – contingent earn-out (note 4)	1,626	1,582
Lease liability (note 11)	1,736	967
Warranty liability (note 12)	200	838
Deferred tax liability	653	736
Total liabilities	27,307	29,904
Shareholders' equity		
Share capital	65,732	65,253
Contributed surplus	4,779	4,280
Accumulated other comprehensive loss	(287)	(378)
Deficit	(27,439)	(15,672)
Total shareholders' equity	42,785	53,483
TOTAL LIABILITIES AND EQUITY	\$ 70,092	\$ 83,387

See accompanying notes to the condensed consolidated interim financial statements

Approved by the Board of Directors and authorized for issue on November 9, 2023

"Wade Nesmith" _____ Director "David Blaiklock" _____ Director

Greenlane Renewables Inc.

Condensed Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue (note 15)	\$ 10,119	\$ 19,905	\$ 40,516	\$ 54,269
Cost of goods sold (before amortization)	6,984	14,963	29,299	40,734
	3,135	4,942	11,217	13,535
Amortization of:				
Intangible assets	484	560	1,439	1,681
Property and equipment	43	9	128	78
Gross profit	2,608	4,373	9,650	11,776
Operating expenses:				
Amortization of office equipment	107	137	328	368
General and administration	7,141	3,733	17,243	11,044
Research and development	146	123	620	718
Sales and marketing	326	671	1,068	1,757
Share based compensation	42	368	579	1,556
Strategic initiatives	-	71	-	1,174
Impairment of notes receivable (note 7)	-	-	1,068	-
	7,762	5,103	20,906	16,617
Operating loss	(5,154)	(730)	(11,256)	(4,841)
Other items:				
Finance expense	15	24	50	69
Finance income	(173)	(46)	(512)	(80)
Other loss	20	-	61	-
Foreign exchange (gain) loss	(229)	(1,515)	295	(1,314)
(Loss) income before income taxes	(4,787)	807	(11,150)	(3,516)
Income taxes:				
Current	212	152	639	152
Deferred (recovery)	30	-	(22)	-
Total income taxes	242	152	617	152
Net (loss) income	(5,029)	655	(11,767)	(3,668)
Other comprehensive loss (income):				
Item that may be subsequently reclassified:				
Exchange difference on translating foreign operations	190	387	(91)	904
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	\$ (5,219)	\$ 268	\$ (11,676)	\$ (4,572)
Basic and diluted loss per share	\$ (0.03)	\$ 0.00	\$ (0.08)	\$ (0.03)
Weighted average number of shares	153,165,380	151,241,824	152,967,702	150,613,407
Diluted weighted average number of shares	153,165,380	155,054,482	152,967,702	150,613,407

See accompanying notes to the condensed consolidated interim financial statements

Greenlane Renewables Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(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, 2022	150,293,991	\$ 64,074	\$ 2,395	\$ 179	\$ (10,167)	\$ 56,481
Share based compensation	-	-	1,556	-	-	1,556
Options and restricted share units exercised	86,666	31	(12)	-	-	19
Acquisition share issuance (<i>note 4</i>)	827,711	672	-	-	-	672
Net loss and comprehensive loss	-	-	-	(904)	(3,668)	(4,572)
Balance, September 30, 2022	151,208,368	\$ 64,777	\$ 3,939	\$ (725)	\$ (13,835)	\$ 54,156
Balance, January 1, 2023	152,040,781	\$ 65,253	\$ 4,280	\$ (378)	\$ (15,672)	\$ 53,483
Share based compensation	-	-	579	-	-	579
Options and restricted share units exercised	421,692	117	(80)	-	-	37
Acquisition share issuance (<i>note 4</i>)	770,298	362	-	-	-	362
Net loss and comprehensive income	-	-	-	91	(11,767)	(11,676)
Balance, September 30, 2023	153,232,771	\$ 65,732	\$ 4,779	\$ (287)	\$ (27,439)	\$ 42,785

See accompanying notes to the condensed consolidated interim financial statements

Greenlane Renewables Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited) (in thousands of Canadian dollars)

For the nine months ended September 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (11,767)	\$ (3,668)
Adjustments for:		
Amortization of:		
Intangible assets	1,439	1,681
Property and equipment	128	78
Office equipment	328	368
Impairment of notes receivable	1,068	-
Share based compensation	579	1,556
Strategic initiatives	-	1,174
Finance expense	50	69
Finance income	(512)	(80)
Interest received	436	80
Other loss	61	-
Foreign exchange loss (income)	295	(1,314)
Deferred income tax recovery	(22)	-
Cash used in operating activities before non-cash working capital	(7,917)	(56)
Net change in non-cash working capital (<i>note 16</i>)	3,912	542
Net cash (used in) provided by operating activities	(4,005)	486
CASH FLOWS FROM INVESTING ACTIVITIES		
Strategic initiatives	-	(1,174)
Business combination, net of cash acquired (<i>note 4</i>)	-	(7,662)
Notes receivable	(114)	(1,178)
Purchase of property and equipment	(75)	(406)
Net cash used in investing activities	(189)	(10,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options and restricted share units	37	19
Lease principal payments	(262)	(191)
Interest paid on lease liability	(49)	(69)
Net cash used in financing activities	(274)	(241)
Net change in cash and cash equivalents	(4,468)	(10,175)
Cash and cash equivalents, beginning of period	21,381	31,471
Effect of translation on foreign cash	(6)	39
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,907	\$ 21,335

See accompanying notes to the condensed consolidated interim financial statements

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

1. NATURE OF OPERATIONS

Greenlane Renewables Inc. ("**Greenlane**" or the "**Company**") was incorporated under the British Columbia Business Corporations Act on February 15, 2018. The Company's primary business is a provider of biogas upgrading systems. Its systems produce clean, renewable natural gas from organic-waste sources including landfills, wastewater treatment plants, dairy farms, and food waste, suitable for either injection into the natural gas grid or for direct use as 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.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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 and should be read in conjunction with the Company's most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 9, 2023.

(b) Functional and presentation currency

The reporting currency selected for the presentation of these condensed consolidated interim 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 Company has foreign operations which are translated to the Company's presentation currency for inclusion in the condensed consolidated interim 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) loss ("**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.

The functional currency for each subsidiary is included in the table in Note 2(c) – Basis of consolidation.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

2. BASIS OF PRESENTATION (continued)

(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.

Entity	Jurisdiction	Functional Currency	Ownership Interest	
			2023	2022
Airdep S.r.l.	Italy	Euro	100%	100%
Greenlane Biogas do Brasil Ltda	Brazil	Brazilian Real	100%	-
Greenlane Biogas Europe Limited	United Kingdom	Great Britain Pound	100%	100%
Greenlane Renewables Europe B.V.	Netherlands	Euro	100%	100%
Greenlane Biogas 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) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a going concern basis, using the historical cost convention, except as otherwise noted.

(e) 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.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

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.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. BUSINESS COMBINATION

On February 1, 2022, the Company acquired 100% of the outstanding shares of Airdep S.r.l. ("Airdep"), a provider of biogas desulfurization and air deodorization products based in Vicenza, Italy (the "Acquisition"). 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 following tables set out the details of the Acquisition including consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed.

Fair value of net assets acquired	
Cash and cash equivalents	\$ 971
Accounts receivable	1,326
Other current assets	97
Contract assets	65
Inventory	192
Property and equipment	1,316
Intangible assets	3,957
Goodwill	7,586
Accounts payable and accrued liabilities	(1,255)
Contract liabilities	(25)
Lease liability	(1,051)
Deferred tax liability	(1,104)
Net assets acquired	\$ 12,075

The goodwill acquired is not deductible for income tax purposes. The value of the goodwill is attributable to the value assigned to future customers and synergies.

Consideration given			
Cash on closing	€	5,500	\$ 7,858
Deferred consideration – share issuance		1,000	1,429
Deferred consideration – contingent earn-out		1,069	1,527
Working capital adjustment and net financial position		883	1,261
Total consideration	€	8,452	\$ 12,075

The deferred share consideration was issuable in four equal tranches (€0.25 million) based on the 20-day volume-weighted average price prior to the share issuance date, issued over the four quarters following closing on February 1, 2022. As the consideration was settled on February 1, 2023, no discounting was applied.

The deferred contingent earn-out payment is payable in early 2025 based on the future financial performance of 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.

The working capital adjustment and net financial position are customary closing payments.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

5. ACCOUNTS RECEIVABLE

As at	September 30, 2023	December 31, 2022
Trade accounts receivable, net of provision	\$ 8,794	\$ 12,285
Other receivables	552	742
	\$ 9,346	\$ 13,027

The aging analysis of trade receivables is as follows:

As at	September 30, 2023	December 31, 2022
<31 days	\$ 1,853	\$ 8,763
31 – 60 days	3,224	443
61 – 90 days	694	594
>90 days	5,301	3,455
Allowance for doubtful accounts	(2,278)	(970)
Trade accounts receivable, net of provision	\$ 8,794	\$ 12,285

6. CONTRACT ASSETS AND LIABILITIES

	Balance, January 1, 2023	Acquired from Airdep	Revenue recognized	Progress billings	Balance, September 30, 2023
Contract assets	\$ 14,527	\$ -	\$ 33,044	\$ (38,167)	\$ 9,404
Contract liabilities	\$ (1,069)	\$ -	\$ 1,250	\$ (3,630)	\$ (3,449)
	Balance, January 1, 2022	Acquired from Airdep	Revenue recognized	Progress billings	Balance, December 31, 2022
Contract assets	\$ 9,837	\$ 65	\$ 64,529	\$ (59,904)	\$ 14,527
Contract liabilities	\$ (1,446)	\$ (25)	\$ 1,029	\$ (627)	\$ (1,069)

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.

The revenue recognized during the year and the contract balances for the period ended September 30, 2023 primarily relate to 21 projects (25 projects for the year ended December 31, 2022).

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

7. NOTES RECEIVABLE

During 2022, the Company made two investments in the form of convertible promissory notes receivable (the "Notes"). The Notes were provided to two companies ("DevCo's") in the pre-construction development phase on renewable natural gas projects. The Notes carry customary fees, bear interest at 12% per annum (compounded daily) and at the option of Greenlane are convertible into equity interests of the DevCo's.

Upon achieving project construction financing, the Company is entitled to a special distribution (the "Special Distribution") equal to 100% of the principal amount and accrued interest outstanding on the Note. If the Special Distribution is not paid under the first advance of project construction financing, interest on the Special Distribution will continue to accrue at 12% per annum (compounded daily). The Special Distribution and accrued interest is payable on the earlier of (i) the date on which the project passes its acceptance date or (ii) the commercial operation date of the project which is not expected to occur in the next 12 months.

In the second quarter of 2023, certain changes in circumstances occurred pertaining to one of the DevCo's and as a result, the Company evaluated the recoverability of the respective Note and impaired the Note in its entirety.

The balance outstanding is comprised of:

As at	September 30, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,752	\$ -
Advances made, net of funds returned	114	1,584
Accrued interest and fees	76	168
Impairment	(1,068)	-
Foreign exchange adjustment	(23)	-
Notes receivable	\$ 851	\$ 1,752

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(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, 2022	\$	420	\$	1,018	\$ 1,438
Additions		491		24	515
Acquisitions		265		1,051	1,316
Disposals		(125)		-	(125)
Foreign exchange adjustment		13		20	33
Balance, December 31, 2022		1,064		2,113	3,177
Additions		75		1,008	1,083
Foreign exchange adjustment		(4)		2	(2)
Balance, September 30, 2023	\$	1,135	\$	3,123	\$ 4,258
Accumulated amortization					
Balance, January 1, 2022	\$	174	\$	576	\$ 750
Amortization		466		341	807
Disposals		(125)		-	(125)
Foreign exchange adjustment		6		7	13
Balance, December 31, 2022		521		924	1,445
Amortization		174		248	422
Foreign exchange adjustment		2		2	4
Balance, September 30, 2023	\$	697	\$	1,174	\$ 1,871
Carrying value					
At December 31, 2022		543	\$	1,189	\$ 1,732
At September 30, 2023	\$	438	\$	1,949	\$ 2,387

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

9. INTANGIBLE ASSETS

	Patents, trademarks and design		Process technologies		Backlog		Software and licenses		Total
Cost									
Balance, January 1, 2022	\$	9,662	\$	-	\$	-	\$	30	\$ 9,692
Acquisitions		-		3,800		157		-	3,957
Disposals		-		-		-		(30)	(30)
Foreign exchange adjustment		(457)		45		2		-	(410)
Balance, December 31, 2022		9,205		3,845		159		-	13,209
Foreign exchange adjustment		106		(40)		(2)		-	64
Balance, September 30, 2023	\$	9,311	\$	3,805	\$	157	\$	-	\$ 13,273
Accumulated amortization									
Balance, January 1, 2022	\$	3,187	\$	-	\$	-	\$	9	\$ 3,196
Amortization		1,175		504		145		21	1,845
Disposals		-		-		-		(30)	(30)
Foreign exchange adjustment		(151)		-		-		-	(151)
Balance, December 31, 2022		4,211		504		145		-	4,860
Amortization		891		514		12		-	1,417
Foreign exchange adjustment		49		(7)		-		-	42
Balance, September 30, 2023	\$	5,151	\$	1,011	\$	157	\$	-	\$ 6,319
Carrying value									
As at December 31, 2022	\$	4,994	\$	3,341	\$	14	\$	-	\$ 8,349
As at September 30, 2023	\$	4,160	\$	2,794	\$	-	\$	-	\$ 6,954

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	September 30, 2023		December 31, 2022	
Trade accounts payable	\$	4,035	\$	3,944
Income taxes payable		569		510
Accrued liabilities		3,192		3,573
Accrued costs related to system sales		10,513		14,955
Deferred aftercare revenue		-		39
Accounts payable and accrued liabilities	\$	18,309	\$	23,021

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

11. 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, operations offices in Sheffield, United Kingdom and Vicenza, Italy, and vehicle leases in the United Kingdom.

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	September 30, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,235	\$ 459
Additional leases	1,008	28
Acquisitions	-	1,051
Lease payments	(311)	(387)
Finance fees	49	78
Foreign exchange adjustment	(9)	6
Balance, end of the period	1,972	1,235
Current portion	(236)	(268)
Non-current portion of lease liabilities	\$ 1,736	\$ 967

Payments of principal amounts owing are as follows:

October 2023 – September 2024	\$ 236
October 2024 – September 2025	258
October 2025 – September 2026	275
October 2026 – September 2027	298
October 2027 and thereafter	905
	\$ 1,972

12. WARRANTY LIABILITIES

The Company provides a warranty following the sale of certain products and as such, the Company has recorded a provision for future warranty claims. Warranty periods vary between products but are typically one to two years from completion of commissioning of the equipment. 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.

As at	September 30, 2023	December 31, 2022
Balance, beginning of the year	\$ 1,900	\$ 252
Additions in the year	200	1,997
Charges against provision	(106)	(103)
Provision expired	(696)	(246)
Balance, end of the period	1,298	1,900
Current portion	(1,098)	(1,062)
Non-current portion of warranty liabilities	\$ 200	\$ 838

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

13. 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 September 30, 2023, the Company had issued \$10.5 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.

14. 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 both 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 September 30, 2023, Options and RSUs issued under the Legacy Option Plan, the Legacy RSU Plan and the Omnibus Incentive Plan represented 6% 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.

(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, 2022	5,069,137	\$ 0.54
Granted	3,240,029	1.03
Exercised	(278,332)	0.28
Forfeited	(991,362)	1.15
Balance, December 31, 2022	7,039,472	0.70
Granted	279,000	0.36
Exercised	(185,000)	0.20
Forfeited	(934,054)	1.11
Balance, September 30, 2023	6,199,418	\$ 0.63

As at September 30, 2023, 4,419,721 Options were exercisable.

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For the three and nine months ended September 30, 2023 and 2022

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14. SHARE BASED COMPENSATION (continued)

(b) Options (continued)

Exercise Price	Share options outstanding September 30, 2023			Share options exercisable September 30, 2023	
	Number of share option	Remaining contractual life	Weighted average exercise price	Number of share options	Weighted average exercise price
\$0.10 - \$0.50	3,591,001	1.95 years	\$ 0.24	3,324,001	\$ 0.23
\$0.51 - \$1.00	552,334	3.76 years	\$ 0.66	139,005	\$ 0.73
\$1.01 - \$1.50	1,470,730	3.35 years	\$ 1.15	531,270	\$ 1.15
\$1.51 - \$1.94	585,353	2.78 years	\$ 1.72	425,445	\$ 1.72
	6,199,418	2.52 years	\$ 0.63	4,419,721	\$ 0.50

The value of the Options issued in 2023 was estimated using the Black-Scholes option pricing model with the following assumptions:

	Mar 14, 2023	May 16, 2023
Grant date	Mar 14, 2023	May 16, 2023
Options granted	242,000	37,000
Exercise price	\$0.37	\$0.29
Fair value per Option	\$0.22	\$0.17
Risk-free rate	3.33%	3.61%
Expected volatility	84.13%	84.58%
Expected life in years	3.50	3.50
Expected dividend yield	-	-

(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, 2022	1,245,792
Granted	931,421
Exercised	(81,066)
Forfeited	(127,260)
Balance, December 31, 2022	1,968,887
Granted	1,917,500
Exercised	(320,118)
Forfeited	(425,830)
Balance, September 30, 2023	3,140,439

In March 2023, the Company granted 1,917,500 RSUs to the management team and certain employees with vesting over 3 years with a fair value of \$0.7 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.

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15. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
System sales:				
United States	\$ 4,377	\$ 10,601	\$ 19,250	\$ 32,309
Europe	1,887	1,679	5,356	4,725
Brazil	1,205	3,485	5,914	4,848
Canada	648	1,907	3,164	6,949
Other	134	845	610	1,133
	8,251	18,517	34,294	49,964
Aftercare service:				
United States	479	124	1,054	395
Europe	1,251	1,221	4,584	3,651
Brazil	29	-	236	-
Canada	43	43	78	176
Other	66	-	270	83
	1,868	1,388	6,222	4,305
Total revenue:				
United States	4,856	10,725	20,304	32,704
Europe	3,138	2,900	9,940	8,376
Brazil	1,234	3,485	6,150	4,848
Canada	691	1,950	3,242	7,125
Other	200	845	880	1,216
	\$ 10,119	\$ 19,905	\$ 40,516	\$ 54,269

16. NON-CASH WORKING CAPITAL

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

	Nine months ended September 30,	
	2023	2022
Restricted cash	\$ 58	\$ (57)
Accounts receivable	3,665	7,455
Inventory	(1,497)	(40)
Prepaid expenses and other assets	(316)	(85)
Contract assets	5,123	(7,046)
Accounts payable and accrued liabilities	(4,898)	212
Contract liabilities	1,777	103
	\$ 3,912	\$ 542

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17. 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:

	Three months ended September 30,		Nine months ended September 30,	
			2023	2022
Non-executive directors' fees	\$ 204	\$ 102	\$ 546	\$ 308
Salaries and short-term benefits	299	308	806	1,145
Equity-based compensation	82	147	249	444
	\$ 585	\$ 557	\$ 1,601	\$ 1,897

18. 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, notes receivable, 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 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 relates 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") 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 USD, GBP and Euros 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 September 30, 2023 the Company has no variable-rate interest-bearing financial assets or liabilities.

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18. FINANCIAL INSTRUMENTS (continued)

(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.

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:

<i>as at September 30, 2023</i>	Carrying amount	Contractual cash flow	Less than 12 months	1 - 2 years	2 - 3 years	Thereafter
Accounts payable and accrued liabilities	\$ 18,309	\$ 18,309	\$ 18,309	\$ -	\$ -	\$ -
Lease liability	1,972	2,441	325	722	736	659
Warranty liability	1,298	1,298	1,098	200	-	-
Deferred consideration – contingent earn-out	1,626	1,745	-	1,745	-	-
	\$ 23,205	\$ 23,793	\$ 19,732	\$ 2,667	\$ 736	\$ 659

19. 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.