Greenlane™

Biogas Upgrading Solutions

Greenlane Renewables Inc.
Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended
September 30, 2024 and 2023

(Unaudited)

(Expressed in thousands of Canadian dollars)

Greenlane™
Biogas Upgrading Solutions

(Unaudited) (in thousands of Canadian dollars)

As at		September 30, 2024		December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**15,373**	$	11,790
Restricted cash		**1,636**		1,603
Accounts receivable *(note 6)*		**12,391**		10,514
Inventory		**1,775**		2,063
Prepaid expenses and other assets		**1,015**		1,665
Contract assets *(note 7)*		**5,038**		12,876
Notes receivable *(note 8)*		**-**		859
		37,228		41,370
Non-current assets:				
Property and equipment *(note 9)*		**2,375**		2,375
Intangible assets		**2,492**		2,830
Goodwill		**8,034**		7,780
TOTAL ASSETS	**$**	**50,129**	$	54,355
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities *(note 10)*	**$**	**16,683**	$	19,719
Contract liabilities *(note 7)*		**6,310**		3,547
Current portion of lease liability *(note 11)*		**322**		232
Current portion of warranty liability		**671**		1,190
Deferred consideration – contingent earn-out *(note 12)*		**1,533**		-
		25,519		24,688
Non-current liabilities:				
Deferred consideration – contingent earn-out *(note 12)*		**-**		1,777
Lease liability *(note 11)*		**1,843**		1,719
Warranty liability		**-**		200
Deferred tax liability		**606**		669
Total liabilities		**27,968**		29,053
Shareholders' equity				
Share capital		**65,867**		65,814
Contributed surplus		**5,414**		4,893
Accumulated other comprehensive loss		**56**		(153)
Deficit		**(49,176)**		(45,252)
Total shareholders' equity		**22,161**		25,302
TOTAL LIABILITIES AND EQUITY	**$**	**50,129**	$	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 November 7, 2024

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023 restated *(note 5)*	**2024**	2023 restated *(note 5)*
Revenue *(note 15)*	**$ 10,544**	$ 9,575	**$ 43,303**	$ 38,089
Cost of goods sold (before amortization)	**6,922**	6,683	**30,808**	27,769
	3,622	2,892	**12,495**	10,320
Amortization of:				
Intangible assets	**142**	484	**422**	1,439
Property and equipment	**84**	43	**251**	128
Gross profit	**3,396**	2,365	**11,822**	8,753
Operating expenses:				
Amortization of office equipment	**54**	85	**161**	259
General and administration	**3,424**	6,854	**12,828**	16,246
Research and development	**91**	146	**348**	620
Restructuring charge *(note 16)*	**518**	-	**518**	-
Sales and marketing	**280**	326	**858**	1,068
Share based compensation *(note 14)*	**124**	42	**574**	579
	4,491	7,453	**15,287**	18,772
Operating loss	**(1,095)**	(5,088)	**(3,465)**	(10,019)
Other items:				
Impairment of notes receivable *(note 8)*	**952**	-	**952**	1,068
Finance expense	**36**	14	**108**	45
Finance income	**(87)**	(173)	**(261)**	(512)
Foreign exchange (gain) loss	**(25)**	(306)	**(314)**	289
Other (income) loss *(note 17)*	**(59)**	20	**(958)**	61
Loss before income taxes	**(1,912)**	(4,643)	**(2,992)**	(10,970)
Income taxes:				
Current	**261**	212	**543**	639
Deferred (recovery)	**(16)**	30	**(83)**	(22)
Total income taxes	**245**	242	**460**	617
Net loss from continuing operations	**(2,157)**	(4,885)	**(3,452)**	(11,587)
Net loss from discontinued operations *(note 5)*	**-**	(144)	**(483)**	(180)
Net loss	**(2,157)**	(5,029)	**(3,935)**	(11,767)
Other comprehensive (income) loss:				
Item that may be subsequently reclassified to continuing operations:				
Exchange difference on translating foreign operations	**(126)**	186	**(209)**	(117)
Item reclassified to discontinued operations:				
Exchange difference on translating foreign Operations *(note 5)*	**-**	4	**(11)**	26
NET LOSS AND COMPREHENSIVE LOSS	**$ (2,031)**	$ (5,219)	**$ (3,715)**	$ (11,676)
Basic and diluted loss per share from continuing Operations	**$ (0.01)**	$ (0.03)	**$ (0.02)**	$ (0.08)
Basic and diluted loss per share from discontinued Operations	**0.00**	0.00	**0.00**	0.00
Basic and diluted loss per share	**$ (0.01)**	$ (0.03)	**$ (0.02)**	$ (0.08)
Weighted average number of shares	**154,189,618**	153,165,380	**154,117,553**	152,967,702
Diluted weighted average number of shares	**154,189,618**	153,165,380	**154,117,553**	152,967,702

See accompanying notes to the condensed consolidated interim financial statements

Greenlane™ Biogas Upgrading Solutions

(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)**	**$**	**53,483**
Share based compensation	-		-		579		-		-		579
Options and restricted share units Exercised	421,692		117		(80)		-		-		37
Acquisition share issuance	770,298		362		-		-		-		362
Net income (loss) and comprehensive income (loss)	-		-		-		91		(11,767)		(11,676)
Balance, September 30, 2023	**153,232,771**	**$**	**65,732**	**$**	**4,779**	**$**	**(287)**	**$**	**(27,439)**	**$**	**42,785**
Balance, January 1, 2024	**153,790,399**	**$**	**65,814**	**$**	**4,893**	**$**	**(153)**	**$**	**(45,252)**	**$**	**25,302**
Share based compensation	-		-		574		-		-		574
Restricted share units exercised	457,008		53		(53)		-		-		-
Net income (loss) and comprehensive income (loss)	-		-		-		209		(3,924)		(3,715)
Balance, September 30, 2024	**154,247,407**	**$**	**65,867**	**$**	**5,414**	**$**	**56**	**$**	**(49,176)**	**$**	**22,161**

See accompanying notes to the condensed consolidated interim financial statements

(Unaudited) (in thousands of Canadian dollars)

For the nine months ended September 30,	**2024**	2023 restated *(note 5)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (3,452)**	$ (11,587)
Adjustments for:		
Amortization of:		
Intangible assets	**422**	1,439
Property and equipment	**251**	128
Office equipment	**161**	259
Share based compensation	**574**	579
Impairment of notes receivable	**952**	1,068
Finance expense	**108**	45
Finance income	**(261)**	(512)
Other (income) loss	**(293)**	61
Foreign exchange (gain) loss	**(314)**	289
Deferred income tax recovery	**(83)**	(22)
Cash used in operating activities before non-cash working capital	**(1,935)**	(8,253)
Interest paid on lease liability	**(107)**	(44)
Interest received	**185**	436
Net change in non-cash working capital *(note 18)*	**6,524**	4,320
Cash provided by (used in) continuing operations	**4,667**	(3,541)
Cash used in discontinued operations *(note 5)*	**(713)**	(513)
Net cash provided by (used in) operating activities	**3,954**	(4,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes receivable	**-**	(114)
Purchase of property and equipment	**(66)**	(75)
Disposal of subsidiary	**22**	-
Cash used in continuing operations	**(44)**	(189)
Cash used in discontinued operations *(note 5)*	**-**	-
Net cash used in investing activities	**(44)**	(189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	**-**	37
Lease principal payments	**(172)**	(214)
Cash used in continuing operations	**(172)**	(177)
Cash used in discontinued operations *(note 5)*	**(27)**	(48)
Net cash used in financing activities	**(199)**	(225)
Net change in cash and cash equivalents	**3,711**	(4,468)
Cash and cash equivalents, beginning of period	**11,790**	21,381
Effect of translation on foreign cash	**(128)**	(6)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 15,373**	**$** 16,907

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 September 30, 2024. As at September 30, 2024, the Company had working capital of $11,709 (December 31, 2023 – $16,682).

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 November 7, 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 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 Biogas Europe Limited	United Kingdom	Great Britain Pound	100%	100%
Greenlane Biogas Italy S.r.l.	Italy	Euro	100%	100%
Greenlane Biogas US Corp.	United States	United States Dollar	100%	100%
Greenlane Renewables Capital Inc.	United States	United States Dollar	100%	100%
Greenlane Renewables Europe B.V.	Netherlands	Euro	100%	100%
Greenlane Renewables Global Limited	Canada	Canadian Dollar	100%	100%
Greenlane Renewables North America Limited	Canada	Canadian Dollar	100%	100%
Greenlane Renewables U.K. Limited	United Kingdom	Great Britain Pound	-	100%
Greenlane Renovaveis do Brasil Ltda.	Brazil	Brazilian Real	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.

3. Determination of Fair Values (continued)

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.

(b) Segmented 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 are 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 Chief Executive Officer ("**CEO**"), to make decisions about resources allocated to the segment and to assess the segment's performance. The Company has one operating segment represented in 3 geographical locations.

The following are new and amended IFRS Accounting Standards that the Company will be required to adopt in the future:

(c) IFRS 18 – Presentation and disclosures in financial statements

On April 9, 2024, the International Accounting Standards Board (the "**IASB**") issued IFRS 18 Presentation and Disclosures in Financial Statements. The objective of the new standard is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The new standard is effective for reporting periods beginning on or after January 1, 2027. Management is currently assessing the impact of the new standard on the Company's interim and annual financial statements.

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

4. Material and Other Accounting Policies (continued)

(d) IFRS 7 and 9 – Financial instruments and disclosures

On May 30, 2024, the IASB issued amendments to the classification and measurement of financial instruments to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs, and amended disclosures relating to equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026. Management is currently assessing the impact of the new standard on the Company's interim and annual financial statements.

5. Discontinued Operations

On April 15, 2024, the Company disposed of Greenlane Renewables U.K. Limited for gross proceeds of $262 (£150) or $22 (£13), net of cash on hand at closing.

Net proceeds	**£**	**13**	**$**	**22**
Working capital		**(16)**		**(28)**
Leased assets		**26**		**45**
Lease obligations		**(20)**		**(35)**
Fixed assets, net book value		**23**		**40**
Net assets disposed		**13**		**22**
After-tax gain on sale	**£**	**-**	**$**	**-**

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

	Three months ended September 30,		Nine months ended September 30,	
For the	**2024**	2023	**2024**	2023
Revenue	**$ -**	$ 544	**$ 720**	$ 2,427
Cost of goods sold (before amortization)	**-**	301	**418**	1,530
Gross profit	**-**	243	**302**	897
Operating expenses:				
Amortization of office equipment	**-**	22	**20**	69
General and administration	**-**	287	**407**	997
	-	309	**427**	1,066
Operating loss	**-**	(66)	**(125)**	(169)
Other items:				
Impairment loss on inventory and property and equipment	**-**	-	**342**	-
Finance expense	**-**	1	**1**	5
Foreign exchange loss	**-**	77	**15**	6
Net loss	**-**	(144)	**(483)**	(180)
Other comprehensive income:				
Item that may be subsequently reclassified:				
Exchange difference on translating foreign operations (income) loss	**-**	4	**(11)**	26
NET LOSS AND COMPREHENSIVE LOSS	**$ -**	$ (148)	**$ (472)**	$ (206)

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

5. Discontinued Operations (continued)

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

For the nine months ended September 30,		**2024**		2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(483)**	$	(180)
Adjustments for:				
Amortization of office equipment		**20**		69
Impairment loss on inventory and property and equipment		**342**		-
Finance expense		**1**		5
Foreign exchange loss (gain)		**15**		6
Cash used in operating activities before non-cash working capital		**(105)**		(100)
Interest paid on lease liability		**(1)**		(5)
Net change in non-cash working capital		**(607)**		(408)
Net cash used in operating activities	**$**	**(713)**	$	(513)

Cash flows used in financing activities relates to lease principal payments for $27 for the nine months ended September 30, 2024 (September 30, 2023 - $48).

6. Accounts Receivable

As at		**September 30, 2024**		December 31, 2023
Trade accounts receivable, net of provision	**$**	**12,100**	$	9,804
Other receivables		**291**		710
	$	**12,391**	$	10,514

The aging analysis of trade receivables is as follows:

As at		**September 30, 2024**		December 31, 2023
<31 days	**$**	**4,704**	$	5,415
31 – 60 days		**3,633**		1,365
61 – 90 days		**2,108**		944
>90 days		**5,763**		4,235
Allowance for doubtful accounts		**(4,108)**		(2,155)
Trade accounts receivable, net of provision	**$**	**12,100**	$	9,804

7. Contract Assets and Liabilities

		Balance, January 1, 2024		Revenue recognized		Progress billings		Balance, September 30, 2024
Contract assets	$	12,876	$	28,640	$	(36,478)	$	5,038
Contract liabilities	$	(3,547)	$	9,261	$	(12,024)	$	(6,310)

		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.

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

7. Contract Assets and Liabilities (continued)

The revenue recognized during the period and the contract balances for the period ended September 30, 2024 primarily relate to 13 projects (26 projects for the year ended December 31, 2023).

8. 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). In this case, 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.

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.

In the third quarter of 2024, the remaining Note matured, is currently in default and as a result, the Company re-evaluated the recoverability of the respective Note and impaired the Note in its entirety as the likelihood of future recoveries is considered uncertain.

9. 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		52		421		473
Disposal of subsidiary		(193)		(364)		(557)
Foreign exchange adjustment		39		60		99
Balance, September 30, 2024	**$**	**1,162**	**$**	**3,255**	**$**	**4,417**
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		154		284		438
Disposal of subsidiary		(153)		(319)		(472)
Foreign exchange adjustment		21		28		49
Balance, September 30, 2024	**$**	**786**	**$**	**1,256**	**$**	**2,042**
Carrying value						
At December 31, 2023		500	$	1,875	$	2,375
At September 30, 2024	**$**	**376**	**$**	**1,999**	**$**	**2,375**

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

10. Accounts Payable and Accrued Liabilities

As at		September 30, 2024		December 31, 2023
Trade accounts payable	**$**	**4,611**	$	3,007
Income taxes payable		**(308)**		87
Accrued liabilities		**2,534**		2,987
Accrued costs related to system sales		**9,822**		13,570
Deferred aftercare revenue		**24**		68
Accounts payable and accrued liabilities	**$**	**16,683**	$	19,719

11. Lease Liabilities

The Company recognizes right-of-use assets (note 9) 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		September 30, 2024		December 31, 2023
Balance, beginning of the year	**$**	**1,951**	$	1,235
Additional leases		**415**		1,001
Lease payments		**(307)**		(383)
Finance fees		**108**		81
Disposal of subsidiary		**(35)**		-
Foreign exchange adjustment		**33**		17
Balance, end of the period		**2,165**		1,951
Current portion		**(322)**		(232)
Non-current portion of lease liabilities	**$**	**1,843**	$	1,719

Payments of principal amounts owing are as follows:

October 2024 – September 2025	$	322
October 2025 – September 2026		349
October 2026 – September 2027		378
October 2027 – September 2028		468
October 2028 and thereafter		648
	$	2,165

12. 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 half in cash and half in a combination of cash and/or Company shares, at the Company's option, up to a maximum of €2,500. The fair value is based on a range of payout scenarios from €900 to €2,500 driven by the estimated future financial performance of Airdep and discounted at a rate of 0.5%.

At September 30, 2024 the carrying value was $1,533 (December 31, 2023 - $1,777). Changes are recognized as other (income) loss in the condensed consolidated interim statement of loss and comprehensive loss.

13. Credit Facilities

The Company has a $26,500 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, 2024, the Company had issued and outstanding $8,856 and committed to issue and additional $nil in standby letters of credit under the Facility.

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

13. Credit Facilities (continued)

The Company also has $7,253 in advance payment bonds and performance bonds outstanding. The Company was required to provide a cash deposit of $1,636 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 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, 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.

(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
Granted	1,032,835	0.12
Forfeited	(1,546,957)	0.33
Expired	(2,169,150)	0.26
Balance, September 30, 2024	**4,057,855**	**$ 0.69**

	Share options outstanding September 30, 2024			Share options exercisable September 30, 2024	
Exercise Price	**Number of share option**	**Remaining contractual life**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
$0.10 - $0.50	**2,136,176**	**3.28 years**	**$ 0.21**	**1,134,007**	**$ 0.24**
$0.51 - $1.00	**301,337**	**1.75 years**	**$ 0.67**	**206,005**	**$ 0.68**
$1.01 - $1.50	**1,131,126**	**2.34 years**	**$ 1.15**	**782,287**	**$ 1.15**
$1.51 - $1.94	**489,216**	**1.78 years**	**$ 1.73**	**477,382**	**$ 1.73**
	4,057,855	**2.72 years**	**$ 0.69**	**2,599,681**	**$ 0.82**

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

14. Share Based Compensation (continued)

(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	4,549,109
Exercised	(559,470)
Forfeited	(996,132)
Balance, September 30, 2024	**7,267,318**

In January 2024, the Company granted 650,000 RSUs to the directors and advisors with vesting over 6 months with a fair value of $91. In April 2024, the Company granted 1,923,158 RSUs to management and certain employees with vesting over 3 years with a fair value of $200. In June 2024, the Company granted 1,975,951 RSUs to management with vesting over 6 months with a fair value of $218. 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.

15. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023 restated *(note 5)*	**2024**	2023 restated *(note 5)*
System sales:				
South America	**$ 5,201**	$ 1,205	**$ 24,125**	$ 5,914
North America	**1,623**	5,025	**8,197**	22,414
Europe	**1,663**	1,887	**4,749**	5,356
Other	**9**	134	**9**	610
	8,496	8,251	**37,080**	34,294
Aftercare service:				
South America	**277**	29	**537**	236
North America	**812**	522	**2,276**	1,132
Europe	**956**	707	**2,586**	2,157
Other	**3**	66	**3**	270
	2,048	1,324	**5,402**	3,795
Royalty contracts:				
South America	**-**	-	**821**	-
Total revenue:				
South America	**5,478**	1,234	**25,483**	6,150
North America	**2,435**	5,547	**10,473**	23,546
Europe	**2,619**	2,594	**7,335**	7,513
Other	**12**	200	**12**	880
	$ 10,544	$ 9,575	**$ 43,303**	$ 38,089

16. Restructuring charge

For the three and nine months ended September 30, 2024, the Company recognised restructuring charges of $518 (September 30, 2023 - $nil). These charges were comprised of severance, as the Company reduced its general and administrative cost structure.

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

17. Other (income) loss

In June 2024, the Company settled an intellectual property pre-litigation claim and received a payment of $684 which was recognized as other income for the nine months ended September 30, 2024.

18. Non-Cash Working Capital

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

For the nine months ended September 30,		2024		2023
Restricted cash	**$**	**(33)**	$	58
Accounts receivable		**(1,970)**		3,668
Inventory		**288**		(1,236)
Prepaid expenses and other assets		**650**		(383)
Contract assets		**7,838**		5,123
Accounts payable and accrued liabilities		**(3,012)**		(4,687)
Contract liabilities		**2,763**		1,777
Non-cash working capital	**$**	**6,524**	$	4,320

19. Related Party Transactions

Key management includes Directors, the Chief Executive Officer ("**CEO**") (formerly the Executive Vice Chair), the President (formerly the 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,			
		2024		2023		2024		2023
Non-executive directors' fees	**$**	**72**	$	204	**$**	**215**	$	546
Salaries and short-term benefits		**272**		299		**1,293**		806
Equity-based compensation		**105**		82		**400**		249
Related party transactions	**$**	**449**	$	585	**$**	**1,908**	$	1,601

20. 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.

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

20. Financial Instruments (continued)

(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 September 30, 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 September 30, 2024	Carrying amount	Contractual cash flow	Less than 12 months	1 - 2 years	2 - 3 years	Thereafter
Accounts payable and accrued liabilities	$ 16,683	$ 16,683	$ 16,683	$ -	$ -	$ -
Lease liability	2,165	2,605	450	916	785	454
Warranty liability	671	671	671	-	-	-
Deferred consideration – contingent earn-out	1,533	767	767	-	-	-
	$ 21,052	$ 20,726	$ 18,571	$ 916	$ 785	$ 454

21. 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.