Greenlane Renewables Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited)

(expressed in thousands of Canadian dollars)

Greenlane Renewables Inc.

Condensed Consolidated Statements of Financial Position
(Unaudited)

(Expressed in thousands of Canadian dollars)

	March 31, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	6,740	2,269
Accounts receivable	1,642	1,436
Inventory	233	223
Prepaid expenses and other receivables	503	576
Contract assets (note 4)	2,359	1,745
	11,477	6,249
Property and equipment	992	947
Intangible assets	8,872	8,964
Goodwill	10,405	10,405
	31,746	26,565
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,427	4,456
Deferred revenue	68	40
Contract liabilities (note 4)	1,183	2,049
Lease liability, current portion	230	186
Warranty liability, current portion (note 5)	382	456
	6,290	7,187
Lease liability, non-current portion	629	638
Warranty liability, non-current portion (note 5)	50	-
Promissory note (note 6)	7,591	10,964
Deferred tax liability	78	78
	14,638	18,867
Shareholders' Equity		
Share capital (note 7)	20,773	11,282
Contributed surplus	2,421	1,510
Accumulated other comprehensive income	253	152
Deficit	(6,339)	(5,246)
	17,108	7,698
	31,746	26,565

Nature of operations and going concern (Note 1)
Subsequent events (Notes 1 and 12)

Approved by the Board of Directors and authorized for issue on May 26, 2020

"Brad Douville" Director *"David Blaiklock"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Greenlane Renewables Inc.
Condensed Consolidated Statements of Operations
For the three months ended March 31, 2020 and 2019
(Unaudited)

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

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Revenue	2,930	-
Cost of goods sold	(1,642)	-
Gross profit	1,288	-
General and administrative	(2,359)	(214)
Operating loss	(1,071)	(214)
Other income (expenses):		
Finance expense	(166)	-
Foreign exchange gain	144	-
Net loss	(1,093)	(214)
Basic and diluted loss per share	(0.01)	(0.04)
Weighted average numbers of shares	79,073,677	5,000,000

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Greenlane Renewables Inc.
Condensed Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2020 and 2019
(Unaudited)

(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2020 $	**Three months ended March 31, 2019** $
Net loss	(1,093)	(214)
Other comprehensive Income		
Item that may be subsequently reclassified to net income:		
Foreign currency translation adjustment	101	-
Total other comprehensive income	101	-
Total comprehensive loss	(992)	(214)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Greenlane Renewables Inc.

Condensed Consolidated Statement of Changes in Equity
For the three months ended March 31, 2020 and 2019
(Unaudited)

(Expressed in thousands of Canadian dollars, except for number of common shares)

	Share capital (number of shares)	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total $
Balance, January 1, 2019	9,000,000	549	81	-	(193)	437
Net loss for the period	-	-	-	-	(214)	(214)
Additional Initial Public Offering issue cost	-	(20)	-	-	-	(20)
Balance, March 31, 2019	9,000,000	529	81	-	(407)	203
Balance, January 1, 2020	68,435,795	11,282	1,510	152	(5,246)	7,698
Share-based compensation expense	-	-	22	-	-	22
Warrants exercised	9,000	3	-	-	-	3
Options exercised	231,680	47	(14)	-	-	33
Shares/warrants issued	23,000,000	10,741	759	-	-	11,500
Agent options issued	-	-	235	-	-	235
Share issuance costs	-	(1,300)	(91)	-	-	(1,391)
Currency translation adjustment	-	-	-	101	-	101
Net loss for the period	-	-	-	-	(1,093)	(1,093)
Balance, March 31, 2020	**91,676,475**	**20,773**	**2,421**	**253**	**(6,339)**	**17,108**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Greenlane Renewables Inc.

Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Unaudited)

(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Cash provided by (used in)		
Operating activities		
Loss for the period	(1,093)	(214)
Adjustments for non-cash items		
Unrealised foreign exchange gain	(144)	-
Depreciation and amortization	380	-
Finance expense	166	-
Share-based compensation	22	-
	(669)	(214)
Other adjustments		
Changes in current assets	(126)	(5)
Changes in current liabilities	16	(113)
Changes in construction contract position	(1,479)	-
Deferred financing costs	-	282
Interest paid on leases	(15)	-
Cash used in operating activities	(2,273)	(50)
Investing activities		
Purchase of plant and equipment	(21)	-
Cash used in investing activities	(21)	-
Financing activities		
Transaction costs	(1,157)	(20)
Proceeds from issuance of shares and warrants	11,500	-
Proceeds from options and warrants exercised	36	-
Payment on promissory note	(3,614)	-
Cash generated by (used in) financing activities	6,765	(20)
Increase (decrease) in cash	4,471	(70)
Cash – Beginning of period	2,269	524
Cash – End of period	6,740	454

The accompanying notes are an integral part of these condensed consolidated interim financial statements

(tables in thousands of Canadian dollars, except per share amounts)

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 vehicle fuel.

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 the foreseeable future. In the period ended March 31, 2020, the Company incurred an operating loss of $1.1 million and had an operating cash outflow of $2.3 million. However, following the completion of a public offering of common shares and following the partial repayment of the promissory note (note 6) in the first quarter of 2020, as at March 31, 2020, the Company is reporting a positive working capital of $5.2 million and closing cash of $6.7 million.

The continuing operations of the Company are dependent upon its ability to continue to secure upgrader contracts to realize profitable operations in the future. Contract awards are dependent on customer-related factors such as finalizing project design parameters, securing project funding and permitting and 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 upgrader contracts. In addition, the timing of contract awards can be delayed longer than expected. In the event that upgrader contract awards are not secured or 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 and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern. These adjustments may be material.

On March 11, 2020, the World Health Organization declared COVID-19, the respiratory disease caused by the novel coronavirus, a global pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Company maintains an asset light model, outsourcing its equipment manufacturing. The Company's supply chain has been affected, however, subsequent to March 31, 2020, all suppliers have now returned to work. The Company continues to monitor the situation closely to plan and adjust accordingly. The Company continues to operate its business at this time including providing aftercare services through remote monitoring and controlled site visits.

(tables in thousands of Canadian dollars, except per share amounts)

2 Basis of presentation

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, which is also the Company's functional currency. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 26, 2020.

3 Key judgements and estimates

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

Significant areas requiring the use of estimates include the collectability of accounts receivable, valuation of inventory, the useful lives and recoverability of long-lived assets, the annual assessment of impairment of goodwill, percentage of completion of upgrader contracts and warranty provisions.

In addition, while the impact of COVID-19 is expected to be temporary, the Company's business may be impacted, with a result that it may not be able to complete its current biogas upgrading contracts within the anticipated timeframe, with the further result that the Company's recording of revenues from these contracts may be deferred to later fiscal reporting periods. Actual results could differ from those estimates.

4 Contract balances

	Balance at December 31, 2019 $	Revenue Recognised $	Progress Billings $	Balance at March 31, 2020 $
Contract assets	1,745	1,110	(496)	2,359
Contract liabilities	(2,049)	976	(110)	(1,183)
	(304)	2,086	(606)	1,176

The movement in contract balances since December 31, 2019 primarily relates to five projects.

(tables in thousands of Canadian dollars, except per share amounts)

5 Warranty liabilities

	$
Balance at December 31, 2019	456
Additions in the period	226
Charges against provision	(19)
Provision expired	(235)
Foreign exchange	4
Balance at March 31, 2020	432
Less: Current portion	(382)
Non-current portion	50

6 Promissory note

In accordance with the terms of the promissory note, if the Company completed an equity financing before the maturity date of the promissory note, it would be required to pay to Pressure Technologies plc ("Pressure Technologies") an amount equal to the lesser of 50% of the net proceeds of the equity financing and such other amount as results in a reduction of the principal amount outstanding under the promissory note to £4.1 million. Consequently, subsequent to the closing of the February 19, 2020 equity raise (note 7), the Company paid Pressure Technologies $3.4 million principal and $0.2 million interest on the promissory note.

7 Share capital

Common shares

At March 31, 2020, the Company had unlimited authorized common shares without par value and 91,676,475 common shares issued and outstanding (December 31, 2019 – 68,435,795)

On February 19, 2020, the Company completed a public offering through the issuance of 23,000,000 units, at a price of $0.50 per unit for gross proceeds of $11.5 million. Each unit was comprised of one common share and one-half of one common share warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for $0.70 per share, for a one-year period ending on February 19, 2021. The fair value of the warrants issued (valued using the Black-Scholes pricing model) of $0.8 million has been included in contributed surplus.

The Company received net proceeds of $10.3 million from the financing after deducting cash expenses of $1.2 million.

(tables in thousands of Canadian dollars, except per share amounts)

The Company paid commissions and other fees and expenses to brokers of $0.8 million and issued 1,380,000 agent options. Each agent option gives the holder the right to purchase one common share for $0.50, for a one-year period ending on February 19, 2021.

During the period, 231,680 options were exercised, and the fair value of $13,597 was transferred from contributed surplus to share capital.

At March 31, 2020, the Company had 12.6 million shares held in escrow, which are expected to be released from escrow, as follows:

June 6, 2020	6,307,056
December 6, 2020	6,307,057
	12,614,113

Included in the shares to be released from escrow on June 6, 2020 are 0.8 million shares that will be subject to a further contractual restriction on transfer. This contractual restriction also applies to an additional 3.3 million shares that are not currently in escrow and therefore not reflected in the table above (for a total of 4.1 million shares). The 4.1 million shares subject to contractual restrictions on transfer are to be released on repayment of the promissory note in full.

In addition, 4.3 million shares are held by Pressure Technologies under a right to direct sales agreement, under which the Company has the option to direct Pressure Technologies to sell shares to directors and employees of the Company for $0.60 per share. The right to direct sales agreement expires June 3, 2021.

Warrants outstanding

At March 31, 2020, the Company had 41,682,612 warrants outstanding (December 31, 2019 – 30,191,612), as follows:

Warrant price	Number of warrants	Expiry
$0.26	30,182,612	June 3, 2021
$0.70	11,500,000	February 19, 2021

During the three month period ended March 31, 2020, 9,000 warrants valued at $0.26 were exercised for proceeds of $2,340 (three month period ended March 31, 2019 $nil).

8 Stock options

The Company has a stock option plan whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date and vesting conditions to be determined by the Board of Directors. The maximum term to expiry is 10 years from the date of grant. All options are equity settled. The stock option plan provides for the issuance of up to 10% of the issued and outstanding common shares at the date of grant.

(tables in thousands of Canadian dollars, except per share amounts)

A summary of the Company's stock options outstanding for the three months ended March 31, 2020, including options granted to agents is as follows:

	Number of options	**Weighted average exercise price $**
Outstanding, December 31, 2019	6,792,780	0.18
Granted	1,380,000	0.50
Exercised	(231,680)	0.14
Forfeited	(30,000)	0.20
Outstanding, March 31, 2020	7,911,100	0.24

At March 31, 2020 7,189,780 options were exercisable (December 31, 2019 – 5,759,780). Included in the 7,911,100 options outstanding at March 31, 2020 were 4,133,100, options held by agents, issued to agents in conjunction with the 2018 IPO and the 2019 and 2020 equity raises.

The following table summarizes information about stock options outstanding as at March 31, 2020:

Exercise price	**Number outstanding**	**Weighted average remaining life in years $**
$0.10	991,950	6.0
$0.20	5,539,150	2.9
$0.50	1,380,000	0.9

As part of the issuance costs of the February 19, 2020 equity raise, the Company issued 1,380,000 options to agents. The fair value of the agents' options at the grant date was estimated at $234,600 using the Black-Scholes option pricing model, applying the following assumptions:

Risk-free rate	1.61%
Expected volatility	86.7%
Expected life in years	1.0
Expected dividend yield	-

(tables in thousands of Canadian dollars, except per share amounts)

At March 31, 2020 stock options issued represented 4.1% of issued and outstanding common share capital (excluding options issued to agents). The Company recognized share-based compensation expense of $256,600 during the three months ended March 31, 2020 (three months ended March 31, 2019 – $nil), including $234,600 relating to the agent options issued as part of the February 19, 2020 equity raise, recorded as share issuance costs in the Statement of Changes in Equity.

9 Related party transactions

Key management includes Directors, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), who have the authority and responsibility for the planning, directing and controlling the activities of the Company. The compensation paid to these key management personnel for the three months ended March 31, 2020 and 2019 is outlined below:

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Salary	135	-
Share-based compensation	2	-
	137	-

The Company owes Pressure Technologies, the former parent company of wholly owned subsidiary PT Biogas Holdings Ltd, $0.7 million relating to intercompany invoices issued prior to the acquisition by Greenlane, together with $7.6 million for the promissory note (note 6).

10 Segmented information

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

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Upgrader projects	2,086	-
Aftercare services	844	-
	2,930	-

The Company operates in North America and Europe and generates revenue from various regions internationally, as shown below.

(tables in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Upgrader projects revenue		
North America	2,086	-
Europe	-	-
	2,086	-
Aftercare services revenue		
North America	115	-
Europe	729	-
	844	-
Total revenue		
North America	2,201	-
Europe	729	-
	2,930	-

The Company had three customers that each accounted for 10% or more of total revenue during the period ended March 31, 2020. These customers accounted for 21%, 21% and 17% of total revenue.

11 Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the Condensed Consolidated Interim of financial position are categorized (level 1, level 2, level 3) based on the level of judgment associated with the inputs used to measure their fair value. There were no transfers between levels during the period ended March 31, 2020.

At March 31, 2020 the carrying amounts of cash and cash equivalents, accounts receivables, other receivables, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature. The Company's promissory note was measured at fair value on initial recognition in June 2019, and management has determined that at March 31, 2020 the carrying amount of this loan approximates its fair value as there has not been a significant change in fair value since the date of initial recognition.

12 Subsequent Event

In April 2020, the Company issued a performance bond for US$0.5 million through Atlantic Specialty Insurance Company, partially guaranteed by Export Development of Canada, to one customer.