Greenlane Renewables Inc.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 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)

	September 30, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	5,742	2,269
Accounts receivable	3,106	1,436
Inventory	1,576	223
Prepaid expenses and other receivables	1,119	576
Contract assets (note 4)	811	1,745
	12,354	6,249
Property and equipment	889	947
Intangible assets	8,049	8,964
Goodwill	10,405	10,405
	31,697	26,565
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,597	4,456
Deferred revenue	50	40
Contract liabilities (note 4)	685	2,049
Warranty liability, current portion (note 5)	213	456
Promissory note, current portion (note 6)	5,834	-
Lease liability, current portion	233	186
	12,612	7,187
Lease liability, non-current portion	529	638
Warranty liability, non-current portion (note 5)	23	-
Promissory note (note 6)	-	10,964
Deferred tax liability	78	78
	13,242	18,867
Shareholders' Equity		
Share capital (note 7)	22,651	11,282
Contributed surplus	2,343	1,510
Accumulated other comprehensive income (loss)	(3)	152
Deficit	(6,536)	(5,246)
	18,455	7,698
	31,697	26,565

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on November 17, 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 and nine months ended September 30, 2020 and 2019
(Unaudited)

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

	Three months ended September 30, 2020 $	**Three months ended September 30, 2019 $**	**Nine months ended September 30, 2020 $**	**Nine months ended September 30, 2019 $**
Revenue	6,504	4,956	13,675	5,867
Cost of goods sold	(4,819)	(3,688)	(9,613)	(4,164)
Gross profit	1,685	1,268	4,062	1,703
General and administrative	(2,419)	(2,704)	(6,792)	(3,520)
Operating loss	(734)	(1,436)	(2,730)	(1,817)
Other income (expenses):				
Finance expense	(101)	(198)	(395)	(237)
Change in fair value of special warrants	-	249	-	194
Gain on extinguishment of promissory note (note 6)	1,777	-	1,777	-
Transaction costs related to qualifying transaction and issuance of special warrants	-	(350)	-	(2,277)
Foreign exchange gain (loss)	(199)	(15)	58	111
Net Income (loss)	743	(1,750)	(1,290)	(4,026)
Basic and diluted earnings (loss) per share	0.01	(0.04)	(0.01)	(0.22)
Weighted average numbers of shares	96,829,382	43,487,737	89,326,074	18,015,648
Diluted weighted average numbers of shares	128,064,627	43,487,737	89,326,074	18,015,648

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

Greenlane Renewables Inc.

Condensed Consolidated Statements of Comprehensive Income (loss)
For the three and nine months ended September 30, 2020 and 2019
(Unaudited)

(Expressed in thousands of Canadian dollars)

	Three months ended September 30, 2020 $	**Three months ended September 30, 2019** $	**Nine months ended September 30, 2020** **$**	**Nine months ended September 30, 2019** **$**
Net Income (loss)	743	(1,750)	(1,290)	(4,026)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to net income (loss):				
Foreign currency translation adjustment	172	(8)	(155)	(27)
Total comprehensive income (loss)	915	(1,758)	(1,445)	(4,053)

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 nine months ended September 30, 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 (loss) $	Deficit $	Total $
Balance, January 1, 2019	9,000,000	550	81	-	(193)	438
Additional Initial Public Offering issue cost	-	(20)	-	-	-	(20)
Agent options issued on special warrants (note 8)	-	-	195	-	-	195
Share based compensation expense (note 8)	-	-	270	-	-	270
Options exercised	6,500	1	-	-	-	1
Conversion of special warrants	58,383,225	11,476	-	-	-	11,476
Currency translation adjustment	-	-	-	(27)	-	(27)
Net loss for the period	-	-	-	-	(4,026)	(4,026)
Balance, September 30, 2019	67,389,725	12,007	546	(27)	(4,219)	8,307
Balance, January 1, 2020	68,435,795	11,282	1,510	152	(5,246)	7,698
Share-based compensation expense (note 8)	-	-	210	-	-	210
Warrants exercised (note 7)	5,166,265	1,503	(160)	-	-	1,343
Options exercised (note 8)	1,591,586	425	(120)	-	-	305
Shares/warrants issued	23,000,000	10,741	759	-	-	11,500
Agent options issued (note 8)	-	-	235	-	-	235
Share issuance costs	-	(1,300)	(91)	-	-	(1,391)
Currency translation adjustment	-	-	-	(155)	-	(155)
Net loss for the period	-	-	-	-	(1,290)	(1,290)
Balance, September 30, 2020	**98,193,646**	**22,651**	**2,343**	**(3)**	**(6,536)**	**18,455**

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 nine months ended September 30, 2020 and 2019
(Unaudited)

(Expressed in thousands of Canadian dollars)

	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Cash provided by (used in)		
Operating activities		
Loss for the period	(1,290)	(4,026)
Adjustments for non-cash items		
Change in fair value of special warrants	-	(194)
Gain on extinguishment of promissory note	(1,777)	-
Unrealised foreign exchange gain	(58)	(111)
Depreciation and amortization	1,142	477
Finance expense	395	237
Transaction costs related to qualifying transaction and issuance of special warrants	-	2,277
Share-based compensation	210	465
	(1,378)	(875)
Other adjustments		
Changes in current assets	(3,609)	(1,924)
Changes in current liabilities	592	1,147
Changes in construction contract position	(430)	(1,175)
Interest paid on leases	(43)	-
Cash used in operating activities	(4,868)	(2,827)
Investing activities		
Net cash consideration paid for PT Biogas Holdings Limited.	-	(2,215)
Purchase of plant and equipment	(36)	(30)
Cash used in investing activities	(36)	(2,245)
Financing activities		
Share issuance costs	(1,157)	(20)
Proceeds from issuance of shares and warrants	11,500	6,916
Proceeds from options and warrants exercised	1,648	-
Payment on promissory note	(3,614)	-
Cash generated by financing activities	8,377	6,896
Increase in cash	3,473	1,824
Cash – Beginning of period	2,269	525
Cash – End of period	5,742	2,349

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 nine month period ended September 30, 2020, the Company incurred an operating loss of $2.7 million and had an operating cash outflow of $4.9 million. As at September 30, 2020, the Company has a working capital deficit (including cash) of $0.3 million primarily related to the classification of the promissory note as current (note 6). Management plans to repay the promissory note with working capital, cash received from anticipated warrant and option exercises and/or from other financial initiatives that are currently under review. In February 2020, the Company completed a public offering of common shares for gross proceeds of $11.5 million (note 7); a portion of the proceeds are to be used for general corporate purposes and for working capital.

The continuing operations of the Company are dependent upon its ability to continue to secure and to execute on upgrader contracts to realize profitable operations in the future. Contract awards are dependent on customer-related activities such as finalizing project design parameters, securing project funding, permitting, and feedstock and offtake contracts and government-related factors such as the continuance of existing and/or 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 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, all suppliers returned to work earlier in the year. The Company continues to monitor

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

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.

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 November 17, 2020. Certain of the comparative period figures have been reclassified to conform to the current period's presentation.

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

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.

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

4 Contract balances

	Balance at December 31, 2019 $	Revenue Recognised $	Progress Billings $	Balance at September 30, 2020 $
Contract assets	1,745	5,470	(6,404)	811
Contract liabilities	(2,049)	6,138	(4,774)	(685)
	(304)	11,608	(11,178)	126

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

5 Warranty liabilities

	$
Balance at December 31, 2019	456
Additions in the period	226
Charges against provision	(182)
Provision expired	(266)
Foreign exchange	2
Balance at September 30, 2020	236
Less: Current portion	213
Non-current portion	23

6 Promissory note

In February 2020 the Company paid Pressure Technologies plc ("Pressure Technologies") $3.4 million principal and $0.2 million interest on the promissory note, with partial use of proceeds from the February 2020 equity raise (note 7). The repayment of principal down to £4.1 million was in accordance with the terms of the promissory note, under which if the Company completed an equity financing before the maturity date of the promissory note, it would be required to pay to 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.

On July 2, 2020, the Company executed a framework agreement with Pressure Technologies (the "Framework Agreement"), under which the principal value of the promissory note was reduced by $1.8 million to $5.2 million following the disposition of Pressure Technologies entire equity interest in the Company, which was sold in a series of block trades. Pressure Technologies disposed of 7,663,920 common shares and 5,094,765 warrants of the Company, issued to Pressure Technologies in connection with the Company's acquisition of PT Biogas Holdings Limited in June 2019. In order to facilitate the transaction, Brad Douville (President and Chief

Executive Officer of the Company) and Creation Partners LLP (a partnership owned and controlled by certain Directors of the Company, collectively “the Parties”), as parties to the Framework Agreement, agreed to release Pressure Technologies from its obligations under certain agreements entered into with the Parties that required Pressure Technologies to place certain common shares and warrants in escrow pending repayment in full of the promissory note. In exchange Pressure Technologies agreed to complete the immediate transfer of common shares and warrants in escrow to the Parties from their free-trading and escrow positions. Under the Framework Agreement the maturity date of the remaining balance of the promissory note advanced from June 3, 2023 to June 30, 2021.

In accordance with IFRS 9 – Financial Instruments, the Company accounted for the transaction as an extinguishment of the original promissory note and a new promissory note was recorded to reflect the terms per the Framework Agreement, with a revised principal amount of $5.2 million. The Company recorded a gain of $1.8 million (net of transaction costs) in the statement of operations in the period.

7 Share capital

Common shares

At September 30, 2020, the Company had unlimited authorized common shares without par value and 98,193,646 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.

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, 1,591,586 options were exercised, and the fair value of $0.1 million was transferred from contributed surplus to share capital.

At September 30, 2020, the Company had 6.3 million shares held in escrow, which are expected to be released on December 6, 2020. During the quarter, following completion of the Framework Agreement (note 6) 4.1 million shares were released from a further contractual restriction of transfer and an additional 4.3 million shares that were held by Pressure Technologies were released upon the cancellation of the right to direct sales agreement.

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

Warrants outstanding

At September 30, 2020, the Company had 36,525,347 warrants outstanding (December 31, 2019 – 30,191,612), as follows:

Warrant price	Number of warrants	Expiry
$0.26	25,025,347	June 3, 2021
$0.70	11,500,000	February 19, 2021

During the nine month period ended September 30, 2020, 5,166,265 warrants with an exercise price of $0.26 were exercised for proceeds of $1.3 million (nine month period ended September 30, 2019 $nil), including 5,094,765 warrants exercised related to the Framework Agreement with Pressure Technologies (note 6).

8 Share Based Compensation

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.

A summary of the Company's stock options outstanding for the nine months ended September 30, 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	2,287,000	0.49
Exercised	(1,591,586)	0.19
Forfeited	(123,334)	0.27
Outstanding, September 30, 2020	7,364,860	0.28

As of September 30, 2020, 5,909,193 options were exercisable (December 31, 2019 – 5,759,780). Included in the 7,364,860 options outstanding at September 30, 2020 were 2,804,860 options held by agents in conjunction with the 2018 Initial Public Offering and the 2019 and 2020 equity raises.

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

The following table summarizes information about stock options outstanding as at September 30, 2020:

Exercise price	Number outstanding	Weighted average remaining life in years
$0.10	982,050	5.58
$0.20	4,125,810	2.87
$0.39	142,000	4.91
$0.50	2,115,000	1.87

There have been three option grants during the period. The value of the stock options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant date	February 19, 2020	May 26, 2020	August 28, 2020
Number of options granted	1,380,000	765,000	142,000
Fair value per option	$0.17	$0.35	$0.25
Risk-free rate	1.61%	0.30%	0.22%
Expected volatility	86.7%	108.5%	101.9%
Expected life in years	1.0	3.5	3.5
Expected dividend yield	-	-	-

The options granted on February 19, 2020 are part of the issuance costs from the 2020 equity raise (note 7).

At September 30, 2020 stock options issued represented 4.6% of issued and outstanding common share capital (excluding options issued to agents). The Company recognized share-based compensation expense relating to stock options of $0.3 million during the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $0.5 million), including $0.2 million 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.

During the three month period ended September 30, 2020, the Company adopted a restricted share unit plan, following shareholder and TSX Venture Exchange approval. Under the plan the Company may grant a maximum of 9,687,030 common shares of the Company to directors, officers and consultants. During the quarter, the Company granted 960,038 restricted share units ("RSUs") to officers and non–executive directors of the Company, with 586,000 issued to officers with annual vesting over a three year period and 374,038 to non-executive directors vesting after one year. The weighted average fair value of $0.42 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. The Company recognized share-based compensation expense of $0.1 million during the nine months ended September 30, 2020, related to the RSUs.

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

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 and nine months ended September 30, 2020 and 2019 is outlined below:

	Three months ended September 30, 2020 $	Three months ended September 30, 2019 $	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Salary	134	101	404	134
Share-based compensation	83	181	92	237
	217	282	496	371

As at September 30, 2020, the Company owed Pressure Technologies, the former parent company of wholly owned subsidiary PT Biogas Holdings Limited, $0.5 million relating to intercompany invoices issued prior to the acquisition by Greenlane, together with the promissory note of $5.8 million (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 September 30, 2020 $	Three months ended September 30, 2019 $	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Upgrader projects	5,812	4,023	11,608	4,631
Aftercare services	692	933	2,067	1,236
	6,504	4,956	13,675	5,867

The Company operates in the Americas 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 September 30, 2020 $	Three months ended September 30, 2019 $	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Upgrader projects revenue				
Americas	5,812	4,023	11,608	4,631
Europe	-	-	-	-
	5,812	4,023	11,608	4,631
Aftercare services revenue				
Americas	113	128	413	170
Europe	579	805	1,654	1,066
	692	933	2,067	1,236
Total revenue				
Americas	5,925	4,151	12,021	4,801
Europe	579	805	1,654	1,066
	6,504	4,956	13,675	5,867

The Company had five customers that each accounted for 10% or more of total revenue during the period ended September 30, 2020. These customers accounted for 11%, 11%, 12%, 19% and 22% 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 September 30, 2020.

At September 30, 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 new promissory note was recorded on July 2, 2020 and management performed a fair value analysis and determined the carrying amount of the loan approximates its fair value as at September 30, 2020.