

Greenlane Renewables Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited)

(Expressed in thousands of Canadian dollars)

Greenlane Renewables Inc.

Condensed Consolidated Statements of Financial Position (Unaudited)

(Expressed in thousands of Canadian dollars)

| | Notes | March 31, 2021 \$ | December 31, 2020 \$ |
|--|-------|-------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 37,456 | 16,442 |
| Accounts receivable | | 5,007 | 2,416 |
| Inventory | | 1,615 | 1,624 |
| Prepaid expenses and other receivables | | 1,094 | 1,125 |
| Contract assets | 4 | 5,521 | 2,518 |
| | | 50,693 | 24,125 |
| Property and equipment | | | |
| | | 765 | 821 |
| Intangible assets | | | |
| | | 7,489 | 7,821 |
| Goodwill | | | |
| | | 10,405 | 10,405 |
| | | 69,352 | 43,172 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 13,155 | 8,773 |
| Contract liabilities | 4 | 639 | 1,661 |
| Lease liability, current portion | | 229 | 225 |
| Warranty liability, current portion | 5 | 118 | 121 |
| Promissory note | 6 | - | 5,957 |
| | | 14,141 | 16,737 |
| Lease liability, non-current portion | | | |
| | | 399 | 461 |
| Warranty liability, non-current portion | | | |
| | 5 | - | 106 |
| | | 14,540 | 17,304 |
| Shareholders' Equity | | | |
| Share capital | | | |
| | 7 | 60,588 | 31,927 |
| Contributed surplus | | | |
| | | 1,941 | 1,547 |
| Accumulated other comprehensive income | | | |
| | | 230 | 111 |
| Deficit | | | |
| | | (7,947) | (7,717) |
| | | 54,812 | 25,868 |
| | | 69,352 | 43,172 |

Approved by the Board of Directors and authorized for issue on May 12, 2021

“Wade Nesmith”

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 and Comprehensive Loss For the three months ended March 31, 2021 and 2020 (Unaudited)

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

| | Three months ended March 31, 2021 \$ | Three months ended March 31, 2020 \$ |
|--|---|---|
| Revenue | 12,205 | 2,930 |
| Cost of goods sold (excluding amortization) | (8,921) | (1,642) |
| | 3,284 | 1,288 |
| Amortization | (314) | (309) |
| Gross profit | 2,970 | 979 |
| General and administration | (865) | (944) |
| Salaries and benefits | (1,730) | (986) |
| Depreciation | (76) | (71) |
| Research and development | (85) | (27) |
| Share-based payments | (175) | (22) |
| Operating income (loss) | 39 | (1,071) |
| Other income (expenses): | | |
| Finance expense | (59) | (166) |
| Other income | 209 | - |
| Foreign exchange gain (loss) | (419) | 144 |
| Net loss | (230) | (1,093) |
| Other comprehensive loss | | |
| Item that may be subsequently reclassified to net loss: | | |
| Foreign currency translation adjustment | 119 | 101 |
| Total comprehensive loss | (111) | (992) |
| Basic and diluted loss per share | (0.00) | (0.01) |
| Weighted average numbers of shares | 130,593,823 | 79,073,677 |

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, 2021 and 2020

(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, 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 |
| Balance, January 1, 2021 | 114,681,456 | 31,927 | 1,547 | 111 | (7,717) | 25,868 |
| Share-based compensation expense | - | - | 175 | - | - | 175 |
| Warrants exercised | 11,304,677 | 4,650 | (501) | - | - | 4,149 |
| Options exercised | 696,983 | 395 | (109) | - | - | 286 |
| Shares issued | 12,190,000 | 26,452 | - | - | - | 26,452 |
| Share issuance costs | - | (2,836) | - | - | - | (2,836) |
| Agent warrants issued | - | - | 829 | - | - | 829 |
| Currency translation adjustment | - | - | - | 119 | - | 119 |
| Net loss for the period | - | - | - | - | (230) | (230) |
| Balance, March 31, 2021 | 138,873,116 | 60,588 | 1,941 | 230 | (7,947) | 54,812 |

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, 2021 and 2020 (Unaudited)

(Expressed in thousands of Canadian dollars)

| | Three months ended March 31, 2021 \$ | Three months ended March 31, 2020 \$ |
|--|---|---|
| Cash provided by (used in) | | |
| Operating activities | | |
| Loss for the period | (230) | (1,093) |
| Adjustments for non-cash items | | |
| Unrealised foreign exchange (gain) loss | 419 | (144) |
| Depreciation and amortization | 390 | 380 |
| Finance expense | 59 | 166 |
| Share-based compensation | 175 | 22 |
| Other income | (209) | - |
| | 604 | (669) |
| Other adjustments | | |
| Changes in current assets | (2,882) | (126) |
| Changes in current liabilities | 4,575 | 97 |
| Changes in contract assets and liabilities | (4,025) | (1,479) |
| Interest paid on leases | (11) | (15) |
| | (1,739) | (2,192) |
| Cash used in operating activities | (1,739) | (2,192) |
| Investing activities | | |
| Purchase of property and equipment | (20) | (21) |
| Cash used in investing activities | (20) | (21) |
| Financing activities | | |
| Proceeds from issuance of shares and warrants | 26,452 | 11,500 |
| Share issuance costs | (1,996) | (1,157) |
| Proceeds from options and warrants exercised | 4,431 | 36 |
| Payments on promissory note | (6,041) | (3,614) |
| Lease payments | (73) | (81) |
| Cash generated by financing activities | 22,773 | 6,684 |
| Increase in cash and cash equivalents | 21,014 | 4,471 |
| Cash and cash equivalents – Beginning of period | 16,442 | 2,269 |
| Cash and cash equivalents – End of period | 37,456 | 6,740 |

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

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited)

(tables in thousands of Canadian dollars, except 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 vehicle fuel. The head office of the Company is located at 110-3605 Gilmore Way, Burnaby, BC, V5G 4X5 and its registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

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 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 12, 2021. Certain of the comparative period figures, including the presentation of expense categories within the Statement of Operations and geographic areas within the segmented information note, have been reclassified to conform to the current period’s presentation for more relevant information.

3 Key sources of estimation uncertainty

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. The judgements made by management in applying the Company’s accounting policies and key sources of estimation uncertainty are consistent with those reported in the December 31, 2020 annual audited financial statements.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited)

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

4 Contract balances

| | Balance at December 31, 2020 | Revenue Recognized | Progress Billings | Balance at March 31, 2021 |
|----------------------|------------------------------------|-----------------------|----------------------|---------------------------------|
| | \$ | \$ | \$ | \$ |
| Contract Assets | 2,518 | 8,964 | (5,961) | 5,521 |
| Contract Liabilities | (1,661) | 2,604 | (1,582) | (639) |
| | <u>857</u> | <u>11,568</u> | <u>(7,543)</u> | <u>4,882</u> |

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 consideration becomes unconditional. Contract liabilities relate to stage payments that are received in advance of performance under the contract.

The revenue recognized during the quarter and the contract balances at March 31, 2021 primarily relates to seven projects.

5 Warranty liabilities

The Company provides a warranty following the sale of certain products. As a consequence, the Company has recorded a provision for future warranty claims. Warranty periods vary between products but are typically one to two years from commissioning of 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 the warranties are short-term in nature, no discounting has been assumed.

| | |
|---------------------------------|------------|
| | \$ |
| Balance, January 1, 2021 | 227 |
| Charges against provision | (9) |
| Provision expired | (100) |
| Balance, March 31, 2021 | <u>118</u> |
| Less: Current portion | 118 |
| Non-current portion | <u>-</u> |

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

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6 Promissory note

The promissory note incurred interest at 7% per annum and had a maturity date of June 30, 2021. On February 12, 2021, the promissory note was repaid early, in full, including interest and principal.

| | Balance |
|-----------------------------------|----------------|
| | \$ |
| Balance, December 31, 2020 | 5,957 |
| Interest accrual | 47 |
| Foreign exchange movement | 37 |
| Repayments | (6,041) |
| Balance, March 31, 2021 | - |

7 Share capital

Common shares

At March 31, 2021, the Company had unlimited authorized common shares without par value and 138,873,116 common shares issued and outstanding (December 31, 2020 – 114,681,456).

On January 27, 2021, the Company completed a bought deal offering with TD Securities Inc. (lead underwriter, the “Underwriters”) through the issuance of 12,190,000 common shares, at a price of \$2.17 per share for gross proceeds of \$26.5 million and incurred \$2.0 million in cash expenses. The Company issued compensation warrants to the Underwriters entitling them to purchase an aggregate of 731,400 common shares at a price of \$2.17 for a period of one year from closing. The fair value of the warrants issued (valued using the Black-Scholes pricing model, see below for list of assumptions) of \$0.8 million has been included in share capital as part of the share issuance costs.

| Grant date | January 27, 2021 |
|----------------------------|-------------------------|
| Number of warrants granted | 731,400 |
| Fair value per option | \$1.13 |
| Risk-free rate | 0.13% |
| Expected volatility | 109% |
| Expected life in years | 1 |
| Expected dividend yield | - |

During the three months ended March 31, 2021, 696,983 options were exercised, and the fair value of \$0.1 million was transferred from contributed surplus to share capital. In addition, 11,304,677 warrants were exercised, and the fair value of \$0.5 million was transferred from contributed surplus to share capital.

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

Warrants outstanding

At March 31, 2021, the Company had 11.7 million warrants outstanding (December 31, 2020 – 22.4 million), as follows:

| Warrant exercise price | \$0.26 | \$0.70 | \$2.17 | Total |
|--|-------------------|----------------|----------------|-------------------|
| Expiry | June 3, 2021 | Feb 19, 2021 | Jan 27, 2022 | |
| Number of warrants, December 31, 2020 | 19,698,147 | 2,655,600 | - | 22,353,747 |
| Granted | - | - | 731,400 | 731,400 |
| Exercised | (8,677,507) | (2,590,600) | (36,570) | (11,304,677) |
| Cancelled | - | (65,000) | - | (65,000) |
| Number of warrants, March 31, 2021 | 11,020,640 | - | 694,830 | 11,715,470 |
| Cash proceeds from exercise | \$2,256 | \$1,813 | \$79 | \$4,148 |

During the period ended March 31, 2021, a total of 11.3 million warrants were exercised for \$4.1 million (March 31, 2020: 9,000 warrants for \$2,340). The fair value associated with the warrant exercises of \$0.5 million was transferred from contributed surplus to share capital. On expiry of the \$0.70 warrants on February 19, 2021, 65,000 warrants remained unexercised and were cancelled.

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.

A summary of the Company's stock options outstanding for the three months ended March 31, 2021, including options granted to agents is as follows:

| | Number of options | Weighted average exercise price \$ |
|-----------------------------------|-------------------|------------------------------------|
| Balance, December 31, 2020 | 5,241,984 | 0.27 |
| Granted | 190,000 | 1.94 |
| Exercised | (696,983) | 0.41 |
| Forfeited | (21,667) | 0.41 |
| Balance, March 31, 2021 | 4,713,334 | 0.33 |

At March 31, 2021, 2,962,083 options were exercisable (December 31, 2020 – 3,604,650).

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The following table summarizes information about stock options outstanding as at March 31, 2021:

| Exercise price | Number outstanding | Weighted average remaining life in years |
|----------------|--------------------|--|
| \$0.10 | 675,000 | 7.59 |
| \$0.20 | 2,761,334 | 3.19 |
| \$0.39 | 142,000 | 4.41 |
| \$0.50 | 720,000 | 4.16 |
| \$0.74 | 225,000 | 4.57 |
| \$1.94 | 190,000 | 4.96 |

There was one option grant 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 | March 16, 2021 |
|---------------------------|----------------|
| Number of options granted | 190,000 |
| Fair value per option | \$1.26 |
| Risk-free rate | 0.21% |
| Expected volatility | 99.67% |
| Expected life in years | 3.5 |
| Expected dividend yield | - |

At March 31, 2021 stock options issued represented 3.4% of issued and outstanding common share capital. The Company recognized share-based compensation cost relating to stock options of \$0.1 million during the three months ended March 31, 2021.

Restricted Share Unit Plan

Under the Company's restricted share unit plan, the Company may grant a maximum of 9,687,030 common shares of the Company to directors, officers and consultants. During the first quarter of 2021, the Company granted 130,414 restricted share units ("RSUs") to non-executive directors with vesting after one year. The weighted average fair value of \$2.31 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 three months ended March 31, 2021, related to RSUs.

A total of 1,090,452 RSUs have been granted under the plan.

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(Unaudited)

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

8 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, 2021 and 2020 is outlined below:

| | Three months ended March 31, 2021 | Three months ended March 31, 2020 |
|---|--------------------------------------|--------------------------------------|
| | \$ | \$ |
| Non-executive Directors fees (excluding share-based compensation) | 76 | - |
| Salary | 156 | 135 |
| Share-based compensation | 114 | 2 |
| | <u>346</u> | <u>137</u> |

In February 2021, the Company settled all amounts due to the former parent company of PT Biogas Holdings Limited ("PT Biogas"), relating to the acquisition of PT Biogas by the Company in June 2019, including the outstanding promissory note (\$6.0 million, Note 6) and intercompany invoices (\$0.4 million).

9 Segmented information

The Company has one operating segment, which is further broken down into two revenue streams, system sales and aftercare service.

| | Three months ended March 31, 2021 | Three months ended March 31, 2020 |
|-----------------|--------------------------------------|--------------------------------------|
| | \$ | \$ |
| System sales | 11,568 | 2,086 |
| Aftercare sales | 637 | 844 |
| | <u>12,205</u> | <u>2,930</u> |

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

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited)

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

| | Three months ended March 31, 2021 \$ | Three months ended March 31, 2020 \$ |
|-----------------------------------|--|--|
| System sales revenue | | |
| United States | 10,703 | 891 |
| Brazil | 848 | 62 |
| Canada | 17 | 1,133 |
| | <u>11,568</u> | <u>2,086</u> |
| Aftercare services revenue | | |
| United States | 28 | 66 |
| Brazil | 4 | 4 |
| Canada | 46 | 29 |
| United Kingdom | 353 | 527 |
| Other | 206 | 218 |
| | <u>637</u> | <u>844</u> |
| Total revenue | | |
| United States | 10,731 | 957 |
| Brazil | 852 | 66 |
| Canada | 63 | 1,162 |
| United Kingdom | 353 | 527 |
| Other | 206 | 218 |
| | <u>12,205</u> | <u>2,930</u> |

The Company had three customers that each accounted for 10% or more of total revenue during the three months ended March 31, 2021. These customers accounted for 34%, 32% and 17% of total revenue.

10 Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value.

The Company's financial assets and financial liabilities, are measured and/or disclosed at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's policy is to recognize transfers in and out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period ended March 31, 2021.

At March 31, 2021, 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.