

Greenlane Renewables Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in thousands of Canadian dollars)

Greenlane Renewables Inc.

Condensed Consolidated Statements of Financial Position
(Unaudited) (Expressed in thousands of Canadian dollars)

As at	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,335	\$ 31,471
Restricted cash	1,713	1,655
Accounts receivable	12,163	16,096
Inventory	960	785
Prepaid expenses and other assets	1,040	1,242
Contract assets (note 5)	16,947	9,837
	54,158	61,086
Non-current assets:		
Deferred tax assets	111	111
Convertible promissory notes receivable (note 11)	1,178	-
Property and equipment	1,686	688
Intangible assets	9,885	6,496
Goodwill	16,017	10,405
TOTAL ASSETS	\$ 83,035	\$ 78,786
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22,139	\$ 20,148
Contract liabilities (note 5)	816	1,446
Deferred consideration – share issuance (note 4)	669	-
Current portion of lease liability	275	242
Current portion of warranty liability	706	102
	24,605	21,938
Non-current liabilities		
Deferred consideration – contingent earn-out (note 4)	1,431	-
Lease liability	924	217
Warranty liability	307	150
Deferred tax liability (note 4)	1,612	-
Total liabilities	28,879	22,305
Shareholders' equity		
Share capital (note 6)	64,777	64,074
Contributed surplus	3,939	2,395
Accumulated other comprehensive (loss) income	(725)	179
Deficit	(13,835)	(10,167)
Total shareholders' equity	54,156	56,481
TOTAL LIABILITIES AND EQUITY	\$ 83,035	\$ 78,786

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

"Wade Nesmith"

Director

"David Blaiklock"

Director

Greenlane Renewables Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the three and nine months ended September 30, 2022 and 2021

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue (note 9)	\$ 19,905	\$ 13,439	\$ 54,269	\$ 38,227
Cost of goods sold	14,963	10,066	40,734	28,346
	4,942	3,373	13,535	9,881
Amortization of intangible assets	652	313	1,681	936
Gross profit	4,290	3,060	11,854	8,945
Operating expenses:				
Amortization of property and equipment	146	83	446	238
General and administration	3,733	2,809	11,044	7,697
Research and development	123	256	718	476
Sales and marketing	671	225	1,757	1,002
Share based compensation	368	295	1,556	754
Strategic initiatives	71	-	1,174	-
	5,112	3,668	16,695	10,167
Operating loss	(822)	(608)	(4,841)	(1,222)
Other items:				
Finance expense	24	9	69	78
Finance income	(46)	-	(80)	-
Other income	-	-	-	(209)
Foreign exchange (gain) loss	(1,515)	(669)	(1,314)	164
Income (loss) before income taxes	715	52	(3,516)	(1,255)
Current income tax expense	152	-	152	-
Net income (loss)	563	52	(3,668)	(1,255)
Other comprehensive loss (income)				
Item that may be subsequently reclassified:				
Exchange difference on translating foreign operations	387	41	904	18
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ 176	\$ 11	\$ (4,572)	\$ (1,273)
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ (0.03)	\$ (0.01)
Weighted average number of shares	151,241,824	150,129,208	150,613,407	141,710,724
Diluted weighted average number of shares	155,054,482	154,845,348	150,613,407	141,710,724

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

Greenlane Renewables Inc.

Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Unaudited) (Expressed 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, 2021	114,681,456	\$	31,927	\$	1,547	\$	111	\$	(7,717)	\$	25,868
Share based compensation	-		-		754		-		-		754
Warrants exercised	22,214,553		7,824		(839)		-		-		6,985
Options exercised	1,052,982		534		(179)		-		-		355
Shares issued	12,190,000		26,452		-		-		-		26,452
Share issuance costs	-		(2,836)		-		-		-		(2,836)
Agent warrants issued	-		-		829		-		-		829
Net loss and comprehensive loss	-		-		-		(18)		(1,255)		(1,273)
Balance, September 30, 2021	150,138,991	\$	63,901	\$	2,112	\$	93	\$	(8,972)	\$	57,134
Balance, January 1, 2022	150,293,991	\$	64,074	\$	2,395	\$	179	\$	(10,167)	\$	56,481
Share based compensation	-		-		1,556		-		-		1,556
Options exercised	86,666		31		(12)		-		-		19
Acquisition share issuance (note 4)	827,711		672		-		-		-		672
Net loss and comprehensive loss	-		-		-		(904)		(3,668)		(4,572)
Balance, September 30, 2022	151,208,368	\$	64,777	\$	3,939	\$	(725)	\$	(13,835)	\$	54,156

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

Greenlane Renewables Inc.

Condensed Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Unaudited) (Expressed in thousands of Canadian dollars)

	Nine months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,668)	\$ (1,255)
Adjustments for:		
Amortization of intangible assets	1,681	936
Amortization of property and equipment	446	238
Share based compensation	1,556	754
Strategic initiatives	1,174	-
Other income	-	(209)
Unrealized foreign exchange (gain) loss	(980)	164
Cash provided by operating activities before non-cash working capital	209	628
Net change in non-cash working capital (note 10)	208	(7,098)
Net cash provided by (used in) operating activities	417	(6,470)
CASH FLOWS FROM INVESTING ACTIVITIES		
Strategic initiatives	(1,174)	-
Business combination, net of cash acquired (note 4)	(7,662)	-
Convertible promissory notes receivable	(1,178)	-
Purchase of property and equipment	(406)	(87)
Net cash used in investing activities	(10,420)	(87)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares and warrants	-	26,452
Share issuance costs	-	(2,007)
Proceeds from options, restricted share units and warrants	19	7,487
Payment on promissory note	-	(6,041)
Lease payments	(191)	(208)
Net cash (used in) provided by financing activities	(172)	25,683
Net change in cash and cash equivalents	(10,175)	19,126
Cash and cash equivalents, beginning of period	31,471	16,442
Effect of translation on foreign cash	39	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 21,335	\$ 35,568

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 and nine months ended September 30, 2022 and 2021

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

1 NATURE OF OPERATIONS

Greenlane Renewables Inc. ("**Greenlane**" or the "**Company**") was incorporated under the British Columbia Business Corporations Act on February 15, 2018. The Company's primary business is a provider of biogas upgrading systems. Its systems produce clean, renewable natural gas from organic-waste sources including landfills, wastewater treatment plants, dairy farms, and food waste, suitable for either injection into the natural gas grid or for direct use as 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. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 8, 2022. 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.

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 judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty remain consistent with those reported in the December 31, 2021 annual audited financial statements; however following the acquisition of Airdep S.R.L. ("**Airdep**", see Note 4), they also include estimates relating to the fair value of assets acquired, liabilities assumed and valuation of deferred consideration.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

4 BUSINESS COMBINATION

On February 1, 2022, the Company acquired 100% of the outstanding shares of Airdep, a provider of biogas desulfurization and air deodorization products based in Vicenza, Italy (the “**Acquisition**”). The Acquisition has been accounted for as a business combination using the acquisition method and the business has been consolidated from the date of acquisition.

The following table sets out the details of the Acquisition including consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. The Company is still in the process of identifying and valuing intangible assets and determining final amounts of working capital and tax attributes acquired. Fair value allocations are estimated using the best information available. As a result, these preliminary allocations may change and the changes may be material.

Fair value of net assets acquired		
Cash and cash equivalents	\$	971
Accounts receivable		1,326
Other current assets		96
Contract assets		65
Inventory		192
Property and equipment		1,316
Intangible assets		6,172
Goodwill		5,990
Trade payables and other current liabilities		(1,255)
Contract liabilities		(25)
Lease liabilities		(1,051)
Deferred tax liability		(1,722)
Net assets acquired	\$	12,075

The goodwill is not deductible for income tax purposes.

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

The deferred share consideration is issuable in four equal tranches (€250,000) based on the 20-day volume-weighted average price prior to the share issuance date, issued over the four quarters following closing on February 1, 2022. As the consideration will be settled within 12 months, no discounting was applied.

The deferred contingent earn-out payment is payable in early 2025 based on the future financial performance of Airdep and will be payable in cash or a combination of cash and Company shares, at the Company’s option, up to a maximum of €2.5 million. The fair value is based on a range of payout scenarios driven by the estimated future financial performance

Greenlane Renewables Inc.**Notes to Condensed Consolidated Interim Financial Statements**

For the three and nine months ended September 30, 2022 and 2021

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

4 BUSINESS COMBINATION (continued)

of Airdep and discounted at a rate of 0.5%. The discount rate was selected based on the corporate yield for industrial companies on February 1, 2022, rated BBB.

The working capital adjustment and net financial position are customary closing payments. Since the acquisition, the Company has made payments of \$0.8 million with the remaining balance expected to be paid before the end of the year.

Since the date of acquisition, the Company has recognized \$5.0 million of revenue and \$1.3 million of net income included in the reported net loss and comprehensive loss related to Airdep. The pro-forma revenue and loss for the Company for the period ended September 30, 2022 assuming the Acquisition had occurred on January 1, 2022 is \$54.7 million and \$4.0 million, respectively.

5 CONTRACT BALANCES

	Balance, December 31, 2021	Acquired from Airdep	Revenue recognized	Progress billings	Balance, September 30, 2022
Contract assets	\$ 9,837	\$ 65	\$ 48,615	\$ (41,570)	\$ 16,947
Contract liabilities	\$ (1,446)	\$ (25)	\$ 1,349	\$ (694)	\$ (816)

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 September 30, 2022 primarily relate to eighteen projects.

6 SHARE CAPITAL

a) Common shares

At September 30, 2022, the Company had unlimited authorized common shares without par value and 151,208,368 common shares issued and outstanding (December 31, 2021 – 150,293,991).

During the nine months ended September 30, 2022, 86,666 options were exercised, and \$11,906 was transferred from contributed surplus to share capital.

b) Warrants outstanding

At September 30, 2022, the Company had no warrants outstanding (December 31, 2021 – 694,830). On January 27, 2022, the outstanding warrants expired (valued at \$2.17) and 694,830 unexercised warrants were cancelled.

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

7 INCENTIVE PLANS

At September 30, 2022, stock options (“**Options**”) and restricted share units (“**RSUs**”) issued under the Company’s omnibus incentive plan, legacy Option plan and legacy RSU plan represented 6.2% of issued and outstanding common share capital.

a) Stock options

A summary of the Company’s Options outstanding as at September 30, 2022 is as follows:

	Number of stock options	Weighted average exercise price
Balance, January 1, 2022	5,069,137	\$ 0.54
Granted	2,955,779	1.08
Exercised	(86,666)	0.21
Forfeited	(650,911)	1.16
Balance, September 30, 2022	7,287,339	\$ 0.71

At September 30, 2022, 3,812,658 Options were exercisable (December 31, 2021 – 3,202,666).

The following table summarizes information about Options outstanding as at September 30, 2022:

Exercise price	Stock options outstanding	Weighted average remaining life in years
\$0.10 - \$0.50	3,840,000	2.66
\$0.51 - \$1.00	463,750	4.41
\$1.01 - \$1.50	2,123,358	4.35
\$1.51 - \$1.94	860,231	3.79
	7,287,339	3.40

There were four Option grants during the nine month period ended September 30, 2022. The fair value of the Options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant date	February 2, 2022	March 15, 2022	June 24, 2022	August 11, 2022
Options granted	2,475,904	31,875	253,000	195,000
Exercise price	\$1.15	\$1.02	\$0.68	\$0.77
Fair value per Option	\$0.70	\$0.60	\$0.46	\$0.47
Risk-free rate	1.10%	1.39%	3.30%	3.44%
Expected volatility	89.26%	88.35%	86.77%	86.06%
Expected life in years	3.50	3.50	3.50	3.50
Expected dividend yield	-	-	-	-

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

7 INCENTIVE PLANS *(continued)***b) Restricted share unit plan**

A summary of the Company's RSUs outstanding for the nine months ended September 30, 2022, is as follows:

	Number of RSUs
Balance, January 1, 2022	1,245,792
Granted	931,421
Forfeited	(127,259)
Balance, September 30, 2022	2,049,954

In February 2022, the Company granted 901,921 RSUs, including 261,956 to non-executive directors with vesting after one year and a fair value of \$0.3 million, and 639,965 to the management team and certain employees with vesting over 3 years and a fair value of \$0.7 million. An additional 29,500 RSUs were granted in June 2022 to certain employees, with a vesting over 3 years and a fair value of \$0.02 million. The fair value per RSU was determined based on the Company's share price on the grant date with no adjustments for dividend yield or other terms and conditions.

8 RELATED PARTY TRANSACTIONS

Key management includes Directors, the Chief Executive Officer and the Chief Financial Officer, who have the authority and responsibility for the planning, directing and controlling the activities of the Company. The remuneration paid and payable to these key management personnel during the three and nine month periods ended September 30, 2022 and September 30, 2021 is outlined below:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Non-executive directors fees	\$ 102	\$ 128	\$ 308	\$ 279
Salaries and short-term benefits	308	258	1,145	770
Share based compensation	147	122	444	386
	\$ 557	\$ 508	\$ 1,897	\$ 1,435

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

9 SEGMENTED INFORMATION

The Company has one operating segment consisting of two revenue streams: system sales (including the sale of biogas desulfurization and air deodorization units, see Note 4) and aftercare service. The Company generates revenue from various regions, as shown below:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
System sales				
United States	\$ 10,601	\$ 10,914	\$ 32,309	\$ 31,632
Brazil	3,482	-	4,848	-
Europe	1,679	1,387	4,725	2,572
Canada	1,907	10	6,949	130
Other	848	355	1,133	1,747
	\$ 18,517	\$ 12,666	\$ 49,964	\$ 36,081
Aftercare service				
United States	\$ 124	\$ 11	\$ 445	\$ 101
Europe	1,221	753	3,651	1,854
Canada	43	9	176	57
Other	-	-	33	134
	\$ 1,388	\$ 773	\$ 4,305	\$ 2,146
Total revenue				
United States	\$ 10,725	\$ 10,925	\$ 32,754	\$ 31,733
Brazil	3,482	-	4,848	-
Europe	2,900	2,140	8,376	4,426
Canada	1,950	19	7,125	187
Other	848	355	1,166	1,881
	\$ 19,905	\$ 13,439	\$ 54,269	\$ 38,227

The Company had one customer that accounted for 10% or more of total revenue during the nine months ended September 30, 2022. This customer accounted for 12% of total revenue (September 30, 2021 three customers accounting for 22%, 20% and 11%).

Greenlane Renewables Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

10 NON CASH WORKING CAPITAL

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

	Nine months ended September 30,	
	2022	2021
Restricted cash	\$ (57)	\$ (1,599)
Accounts receivable	7,121	(3,250)
Inventory	(40)	567
Prepaid expenses and other assets	(85)	56
Contract assets	(7,046)	(8,222)
Accounts payable and accrued liabilities	212	6,167
Contract liabilities	103	(817)
	\$ 208	\$ (7,098)

11 FINANCIAL INSTRUMENTS

Financial assets and liabilities recorded at fair value in the consolidated statements of financial position or disclosed in the notes to the financial statements 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 September 30, 2022.

The contingent earn-out payment (Note 4) was measured at fair value on Acquisition (February 1, 2022). Management determined that the carrying amount of this payment and its fair value at September 30, 2022 approximates its fair value at the date of initial recognition on February 1, 2022.

At September 30, 2022, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivables, other receivables, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.

The convertible promissory notes receivable (the "Notes") represents deployment of pre-construction development capital to two companies focused on developing renewable natural gas projects. Under the terms of the Notes, the Company has the option to convert the Notes into an equity interest in the respective development companies in addition to realizing a return of capital with interest. The Notes have been recorded at fair value through the profit and loss, in accordance with IFRS 9, Financial Instruments. The value attributable to the conversion feature is currently assessed as nil as the projects are still in an early stage of development.