

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)

Condensed Interim Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of Green 2 Blue Energy Corp. and have not been reviewed by the Company's auditors

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)

Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	March 31, 2018 \$	June 30, 2017 \$
Assets		
Current assets		
Cash	1,041,055	38,958
Accounts receivable (Note 5)	289,312	74,096
Due from related parties (Note 10)	16,218	19,585
Inventory (Note 6)	393,148	10,974
Prepaid expenses	150,753	22,774
Total current assets	1,890,486	166,387
Non-current assets		
Property and equipment (Note 7)	395,192	322,235
Total assets	2,285,678	488,622
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	825,041	712,065
Current portion of loans payable (Note 8)	138,366	300,309
Due to related parties (Note 10)	2,384	2,384
Current portion of obligations under finance lease (Note 9)	135,782	81,206
Total current liabilities	1,101,573	1,095,964
Non-current liabilities		
Loans payable (Note 8)	–	118,106
Obligations under finance lease (Note 9)	234,665	283,026
Total liabilities	1,336,238	1,497,096
Shareholders' equity (deficit)		
Share capital	5,625,225	1,659,637
Share-based payment reserve	586,251	376,846
Subscriptions received	18,750	–
Deficit	(5,145,078)	(3,002,013)
Accumulated other comprehensive loss	(125,664)	(43,327)
Total Green 2 Blue Energy Corp. shareholders' equity (deficit)	959,484	(1,008,857)
Non-controlling interest	(10,044)	383
Total shareholders' equity (deficit)	949,440	(1,008,474)
Total liabilities and shareholders' equity (deficit)	2,285,678	488,622
Going concern (Note 2(d))		
Commitments (Note 15)		
Subsequent events (Note 19)		

Approved and authorized for issuance by the Board of Directors on May 30, 2018:

/s/ "Slawomir Smulewicz"
Slawomir Smulewicz, Director

/s/ "Michael Young"
Michael Young, Director

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

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended March 31, 2018 \$	Three Months Ended March 31, 2017 \$	Nine Months Ended March 31, 2018 \$	Nine Months Ended March 31, 2017 \$
Sales	419,384	198,427	809,963	222,778
Cost of sales	(284,723)	(192,210)	(620,350)	(212,301)
Gross profit	134,661	6,217	189,613	10,477
Operating Expenses				
Consulting and management fees (Note 10)	135,451	95,500	450,451	202,130
Depreciation	1,474	1,694	4,059	48,891
Foreign exchange (gain) loss	19,343	(2,062)	24,692	(2,062)
General and administrative	289,116	70,100	583,893	162,482
Listing expense	–	–	534,198	–
Professional fees	8,154	55,119	91,231	78,935
Share-based payments	387,367	–	613,626	–
Travel	42,520	4,688	48,548	22,504
Wages and benefits	5,599	863	6,200	16,078
Total operating expenses	889,024	225,902	2,356,898	528,958
Net loss before other income (expense)	(754,363)	(219,685)	(2,167,285)	(518,481)
Other income (expense)				
Accretion of discount on convertible debt	–	–	–	(22,073)
Change in fair value of derivative liabilities	–	–	–	26,085
Gain on disposal of investments	–	33,483	–	33,483
Gain on disposal of property, plant, and equipment	–	21,494	–	21,494
Other income	28,783	–	28,783	–
Interest income (expense)	(7,818)	(8,986)	(14,990)	(40,152)
Total other income (expense)	20,965	45,991	13,793	18,837
Net loss for the period	(733,398)	(173,694)	(2,153,492)	(499,644)
Less: net loss attributable to the non-controlling interest	7,147	170	10,427	1,059
Net loss attributable to Green 2 Blue Energy Corp.	(726,251)	(173,524)	(2,143,065)	(498,585)
Foreign currency translation adjustments	(16,239)	(20,749)	(82,337)	(8,822)
Comprehensive loss attributable to Green 2 Blue Energy Corp.	(742,490)	(194,273)	(2,225,402)	(507,407)
Basic and diluted loss attributable to Green 2 Blue Energy Corp.	(0.01)	(0.01)	(0.04)	(0.02)
Weighted average number of common shares outstanding used in the calculation of net loss attributable to Green 2 Blue Energy Corp. per common share basic and diluted				
	68,742,508	23,500,001	57,060,084	21,458,365

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

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	<u>Common Shares</u>		Share-based Payment Reserve \$	Common Stock Subscribed \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Non-controlling Interest \$	Total Shareholders' Deficit \$
	Number	Amount \$						
Balance, June 30, 2016	4,332,000	1,304,137	376,846	–	(2,160,069)	(9,846)	784	(488,148)
Issuance of common shares for cash	1,296,000	–	–	–	–	–	–	–
Issuance of common shares for finder's fee	96,400	–	–	–	–	–	–	–
Issuance of common shares for settlement of notes payable	846,000	–	–	–	–	–	–	–
Issuance of common shares for cash	–	62,370	–	–	–	–	–	62,370
Issuance of common shares for conversion of related party debt	–	186,500	–	–	–	–	–	186,500
Issuance of common shares for conversion of debt	–	106,630	–	–	–	–	–	106,630
Net loss	–	–	–	–	(498,585)	–	(1,059)	(499,644)
Other comprehensive loss	–	–	–	–	–	(8,822)	–	(8,822)
Balance, March 31 2017	6,570,400	1,659,637	376,846	–	(2,658,654)	(18,668)	(275)	(641,114)

(The accompanying notes are an integral part of these consolidated financial statements)

GREEN 2 BLUE ENERGY CORP.
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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	<u>Common Shares</u>		Share-based Payment Reserve \$	Common Stock Subscribed \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Non-controlling Interest \$	Total Shareholders' Equity (Deficit) \$
	Number	Amount \$						
Balance, June 30, 2017	6,570,400	1,659,637	376,846	–	(3,002,013)	(43,327)	383	(1,008,474)
Equity issued per reverse takeover of Green 2 Blue Energy Corp.	47,000,002	657,040	(247,793)	291,120	–	–	–	700,367
Issuance of units for cash	11,461,700	1,146,170	–	(291,120)	–	–	–	855,050
Issuance of units for finder's fee	146,800	14,680	–	–	–	–	–	14,680
Share issuance costs	–	(21,466)	6,786	–	–	–	–	(14,680)
Issuance of units for cash	6,555,000	1,638,750	–	–	–	–	–	1,638,750
Share issuance costs	–	(132,108)	53,208	–	–	–	–	(78,900)
Issuance of shares upon the exercise of options	2,185,000	255,250	–	–	–	–	–	255,250
Issuance of shares upon the exercise of warrants	1,908,500	190,850	–	–	–	–	–	190,850
Reallocation of share-based payments on exercise of options	–	216,422	(216,422)	–	–	–	–	–
Subscriptions received	–	–	–	18,750	–	–	–	18,750
Share-based compensation	–	–	613,626	–	–	–	–	613,626
Net loss	–	–	–	–	(2,143,065)	–	(10,427)	(2,153,492)
Foreign currency translation loss	–	–	–	–	–	(82,337)	–	(82,337)
Balance, March 31, 2018	75,827,402	5,625,225	586,251	18,750	(5,145,078)	(125,664)	(10,044)	949,440

(The accompanying notes are an integral part of these consolidated financial statements)

GREEN 2 BLUE ENERGY CORP.
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Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Nine Months Ended March 31, 2018 \$	Nine Months Ended March 31, 2017 \$
Operating activities		
Net loss	(2,153,492)	(499,644)
Items not affecting cash:		
Accretion of discount on convertible debt	–	22,073
Change in fair value of derivative liabilities	–	(26,085)
Depreciation	4,059	48,891
Non-cash listing expense	534,198	–
Share-based compensation	613,626	–
Gain on disposal of equipment	–	(21,494)
Changes in non-cash operating working capital:		
Accounts receivable	(205,014)	(68,886)
Inventory	(300,864)	(73,905)
Prepaid expenses	(127,979)	(11,995)
Accounts payable and accrued liabilities	19,213	104,546
Due to related parties	3,367	156,272
Net cash used in operating activities	(1,612,886)	(370,227)
Investing activities		
Purchase of property and equipment	(130,892)	–
Proceeds from sale of equipment	–	26,558
Cash acquired upon recapitalization	5,459	–
Net cash (used in) provided investing activities	(125,433)	26,558
Financing activities		
Repayment of finance lease obligations	(25,734)	(11,769)
Proceeds from loans payable	1,841	311,454
Repayment of loans payable	(71,812)	(26,222)
Repayment of convertible debt	–	(2,033)
Proceeds from common shares issued	2,861,000	62,370
Proceeds from common stock subscribed	18,750	–
Proceeds from convertible notes payable to a related party	–	20
Net cash provided by financing activities	2,784,045	333,820
Effects of exchange rate changes on cash	(43,629)	10,238
Change in cash	1,002,097	389
Cash, beginning of period	38,958	5,244
Cash, end of period	1,041,055	5,633

Supplemental Cash Flow Information (Note 17)

(The accompanying notes are an integral part of these consolidated financial statements)

GREEN 2 BLUE ENERGY CORP.

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Notes to the Condensed Interim Consolidated Financial Statements
Nine Months Ended March 31, 2018 and 2017
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

1. Corporate Information

Green 2 Blue Energy Corp (Formerly Brigade Resource Corp.) (the “Company”) was incorporated on October 9, 2014 in British Columbia under the Business Corporations Act. The Company was previously engaged in the business of mineral exploration and the acquisition of mineral property assets in Ontario through its subsidiary, Brigadier. The Company has since terminated all of its mineral property interests.

On January 16, 2017, the Company entered into a Share Exchange Agreement (the “Acquisition”) with G2BE Canada Inc. (“G2BE”), a private British Columbia company incorporated on May 30, 2014 for a reverse-takeover transaction whereby the Company would acquire all of the issued and outstanding common shares in the capital of G2BE.

On July 21, 2017, the Company completed the Acquisition with G2BE by issuing 47,000,002 common shares to the G2BE shareholders on the basis of one common share for every one G2BE common share. Upon completion of the Acquisition, the G2BE shareholders held approximately 87% of the issued and outstanding company shares of the Company. As the shareholders of the G2BE hold a majority of the common shares of the Company and will continue its existing business, G2BE is considered to have acquired the Company on an accounting basis, and the transaction was accounted for as a reverse takeover.

Accordingly, the Company is now in the business of manufacturing, marketing, and distributing softwood pellets and shavings for consumer and industrial customers and arranging transactions between buyers and sellers of alternative energy products. The Company’s registered office is located at Suite 1080, 789 West Pender Street, Vancouver BC.

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2017, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

These interim consolidated financial statements include the accounts of the Company and its subsidiaries: (i) G2BE Canada Inc. (“G2BE”), a private British Columbia company incorporated on May 30, 2014; 100% owned by the Company; (ii) Green 2 Blue Energy Europe Sp. z.o.o. (“G2BE Europe”), incorporated in Poland in October 2014 and 99.5% owned by G2BE; and (iii) G2BE Poland Sp z o.o. (“G2BE Poland”), incorporated in Poland and owned 99% by the G2BE Europe.

All significant intercompany transactions have been eliminated on consolidation.

(b) Basis of Measurement

These interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. The Company and G2BE’s functional currency is Canadian dollars. G2BE Europe and G2BE Poland’s functional currency is Polish zloty (“PLN\$”).

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2. Basis of Presentation (continued)

(c) Use of Estimates and Judgments (continued)

The preparation of these interim consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities.

Significant areas of estimation and judgment include the collectability of accounts receivable, useful life and recoverability of long-lived assets, measurement of provisions, valuation of inventory, fair value of derivative liabilities, fair value of share-based payments, application of the going concern assumption, and deferred income tax asset valuation allowances.

The Company's policy for property and equipment requires judgment in determining whether the present value of future expected economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits related to its operations. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of capitalized cost is unlikely, the capitalized cost is written off to the consolidated statement of operations.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Going Concern

These interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2018, the Company had a negative cash flow from operations, had an accumulated deficit of \$5,145,078. Furthermore, the Company incurred a net loss of \$2,143,065 during the nine months ended March 31, 2018. To obtain future profitability, the Company will need to increase the volume of production and sales, and is reliant on the co-operation on creditors to pay outstanding amounts on a timely basis. These factors, among others, create substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate in subsequent periods, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on a timely basis or on terms that are acceptable to the Company. These factors, current market conditions, and inability to secure new assets to date, however, indicate the existence of a material uncertainty that casts significant doubt on the ability of the Company to continue as a going concern or in its present form. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

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3. Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after July 1, 2016, or later periods.

The following new IFRSs that have not been early adopted in these interim consolidated financial statements will not have a material effect on the Company's future results and financial position:

- i) IFRS 9, *Financial Instruments* (New; to replace IAS 39 and IFRIC 9);
- ii) IFRS 16, *Leases* (New).

In addition, IFRS 15, *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company intends to adopt IFRS 15 and the clarifications in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has commenced an assessment of the potential impact of IFRS 15 on its consolidated financial statements and expects to provide disclosure of the qualitative and quantitative analysis in the fourth quarter of fiscal 2018.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. Share Exchange Agreement

The Company and G2BE entered into a share exchange agreement dated January 17, 2017 (the "Transaction"), pursuant to which the Company acquired all of the issued and outstanding capital stock, being 47,000,002 common shares, of G2BE in consideration for the issuance of 47,000,002 common shares of the Company. Upon closing of the Transaction on July 21, 2017, the Company had 53,570,402 common shares outstanding, and the former shareholders of G2BE held 87% of the Company's common shares. Accordingly, G2BE is considered to have acquired the Company with the transaction being accounting for as a reverse takeover of the Company by G2BE shareholders (the "RTO").

As consideration for the outstanding shares of G2BE, the Company issued 47,000,002 common shares to G2BE shareholders with a fair value of \$657,040. As a result of the RTO, the consolidated statement of financial position has been adjusted for the elimination of the Company's share capital, reserves and accumulated deficit within shareholders' equity, and a listing expense of \$534,198 has been recognized. This reflects the difference between the estimated fair value of G2BE shares to the Company's shareholders less the fair value of net assets of the Company acquired. The total purchase price was allocated to the net assets of the Company as follows:

Purchase Price	
47,000,002 common shares	\$ 657,040
Total Purchase Price	\$ 657,040
Allocation of Purchase Price	
Cash	\$ 5,459
Loan receivable	200,944
Taxes recoverable	10,202
Accounts and accrued liabilities	(93,763)
Charge related to public company listing	534,198
	\$ 657,040

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Notes to the Condensed Interim Consolidated Financial Statements
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5. Accounts Receivable

	March 31, 2018 \$	June 30, 2017 \$
Trade accounts receivable	146,198	33,259
GST and VAT receivable	143,114	40,837
	<u>289,312</u>	<u>74,096</u>

6. Inventory

	March 31, 2018 \$	June 30, 2017 \$
Raw materials	241,016	10,974
Finished goods	152,132	–
	<u>393,148</u>	<u>10,974</u>

7. Property and Equipment

	Assets Under Construction \$	Forklift \$	Furniture and Fixtures \$	Technical Equipment and Machinery \$	Total \$
Cost:					
Balance, June 30, 2017	25,046	3,705	2,760	548,266	579,777
Foreign currency translation adjustments	1,889	279	–	41,340	43,508
Additions	112,622	–	–	25,553	138,175
Balance, March 31, 2018	<u>139,557</u>	<u>3,984</u>	<u>2,760</u>	<u>615,159</u>	<u>761,460</u>
Accumulated depreciation:					
Balance, June 30, 2017	–	1,254	690	259,558	261,502
Foreign currency translation adjustments	–	94	–	15,312	15,406
Additions	–	418	414	88,528	89,360
Balance, March 31, 2018	<u>–</u>	<u>1,766</u>	<u>1,104</u>	<u>363,398</u>	<u>366,268</u>
Carrying amounts:					
Balance, June 30, 2017	25,046	2,451	2,070	292,668	322,235
Balance, March 31, 2018	<u>139,557</u>	<u>2,218</u>	<u>1,656</u>	<u>251,761</u>	<u>395,192</u>

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8. Loans Payable

- (a) As at March 31, 2018, the Company owed \$nil (June 30, 2017 - \$25,000) to an unrelated third party, which is unsecured, bears interest at the greater of \$2,500 or 10% per annum, and due on demand.
- (b) As at March 31, 2018, the Company owed \$1,885 (PLN\$5,000) (June 30, 2017 - \$1,754 (PLN\$5,000)) to an unrelated third party, which is unsecured, bears interest at 10% per annum, and was due on July 31, 2016.
- (c) As at March 31, 2018, the Company owed \$9,424 (PLN\$25,000) (June 30, 2017 - \$8,763 (PLN\$25,000)) to an unrelated third party, which is unsecured, bears interest at 10% per annum, and was due on June 30, 2018.
- (d) As at March 31, 2018, the Company owed \$nil (June 30, 2017 - \$57,524 (PLN\$164,100)) to the President of G2BE Europe, which is unsecured, bears interest at 5% per annum, and was due on June 30, 2018.
- (e) As at March 31, 2018, the Company owed \$nil (June 30, 2017 - \$8,763 (PLN\$25,000)) to the President of G2BE Europe, which is unsecured, bears interest at 5% per annum, and was due on December 31, 2017.
- (f) As at March 31, 2018, the Company owed \$nil (June 30, 2017 - \$14,133 (PLN\$40,318)) to the President of G2BE Europe, which is unsecured, bears interest at 5% per annum, and was due on December 31, 2017.
- (g) As at March 31, 2018, the Company owed \$67,855 (PLN\$180,000) (June 30, 2017 - \$63,105 (PLN\$180,000)) to an unrelated third party, which is secured by 600,000 shares of the Company that were pledged by a shareholder, bears interest at 4.81% per annum, and due on July 31, 2018.
- (h) As at March 31, 2018, the Company owed \$59,202 (PLN\$156,923) (June 30, 2017 - \$55,001 (PLN\$156,923)) to an unrelated third party, which is secured by 600,000 shares of the Company that were pledged by a shareholder, bears interest at 4.81% per annum, and due on July 31, 2018.

9. Obligations Under Finance Lease

The Company entered into an agreement to lease machinery used in the production of pellets. The equipment lease is classified as a finance lease. The interest rate underlying the obligation in the finance lease is 26% per annum.

The following is a schedule by years of future minimum lease payments under the remaining finance lease together with the present value of the net minimum lease payments as of March 31, 2018:

Year ending June 30:	\$
2018	84,382
2019	112,510
2020	112,510
2021	56,255
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Net minimum lease payments	365,657
Residual value	56,758
Less: amount representing interest payments	(51,968)
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Present value of net minimum lease payments	370,447
Less: current portion	(135,782)
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Non-current portion	234,665
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Nine Months Ended March 31, 2018 and 2017
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10. Related Party Transactions

- (a) As at March 31, 2018, the Company was owed \$706 (PLN\$1,872) (June 30, 2017 - \$19,585 (PLN\$55,872)) from the President of G2BE Europe. The amount owed is unsecured, non-interest bearing, and due on demand.
- (b) As at March 31, 2018, the Company owed a loan payable of \$nil (June 30, 2017 - \$14,133 (PLN\$40,318)) to the President of G2BE Europe. Refer to Note 8(f).
- (c) As at March 31, 2018, the Company owed \$2,384 (June 30, 2017 - \$9,179) to the President of the Company and a company controlled by the President of the Company, of which \$nil (June 30, 2017 - \$6,795) was included in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing, and due on demand.
- (d) As at March 31, 2018, the Company owed \$898 (June 30, 2017 - \$67) to the Chief Financial Officer of the Company and a company controlled by the Chief Financial Officer of the Company, of which \$898 (June 30, 2017 - \$67) was included in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing, and due on demand.
- (e) During the nine months ended March 31, 2018, the Company recorded management fees of \$114,375 (2017 - \$52,500) and share-based compensation of \$104,068 (2017 - \$nil) to a company controlled by the President of the Company.
- (f) During the nine months ended March 31, 2018, the Company recorded management fees of \$91,500 (2017 - \$30,000) and share-based compensation of \$104,068 (2017 - \$nil) to a company controlled by the Chief Financial Officer of the Company.
- (g) During the nine months ended March 31, 2018, the Company recorded consulting fees of \$45,000 (2017 - \$nil) and share-based compensation of \$62,276 (2017 - \$nil) to a Director of the Company.
- (h) During the nine months ended March 31, 2018, the Company recorded professional fees of \$4,500 (2017 - \$nil) and share-based compensation of \$8,873 (2017 - \$nil) to a Director of the Company.

11. Share Capital

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. The Company has not issued any preferred shares since inception.

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

Issued during the nine months ended March 31, 2018:

- (a) On July 21, 2017, the Company issued 47,000,002 common shares with a fair value of \$657,040 to the G2BE shareholders upon closing of the Transaction as described in Note 4.
- (b) On November 10, 2017, the Company closed a non-brokered private placement offering (the "Financing") of 10,436,700 units (the "Units") at a price of \$0.10 per Unit for gross proceeds of \$1,043,670. Each Unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.10 per share for a period of 12 months from the closing of the Financing and thereafter at a price of \$0.20 per share until 24 months from the closing of the Financing. In connection with the Financing, the Company issued 146,800 Units with a fair value of \$0.10 per share as finder's fees and 108,000 warrants with a fair value of \$6,786 as finder's fees.

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11. Share Capital (continued)

- (c) On November 24, 2017, the Company closed a non-brokered private placement offering (the “Financing”) of 1,025,000 units (the “Units”) at a price of \$0.10 per Unit for gross proceeds of \$102,500. Each Unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.10 per share for a period of 12 months from the closing of the Financing and thereafter at a price of \$0.20 per share until 24 months from the closing of the Financing.
- (d) On January 5, 2018, the Company issued 950,000 shares of common stock upon the exercise of 950,000 share purchase options at \$0.10 per share for proceeds of \$95,000.
- (e) On January 23, 2018, the Company issued 61,000 shares of common stock upon the exercise of 61,000 share purchase warrants at \$0.10 per share for proceeds of \$6,100.
- (f) On January 29, 2018, the Company issued 600,000 shares of common stock upon the exercise of 600,000 share purchase options at \$0.15 per share for proceeds of \$90,000.
- (g) On February 5, 2018, the Company issued 300,000 shares of common stock upon the exercise of 300,000 share purchase options at \$0.10 per share for proceeds of \$30,000.
- (h) On February 5, 2018, the Company issued 35,000 shares of common stock upon the exercise of 35,000 share purchase options at \$0.15 per share for proceeds of \$5,250.
- (i) On February 13, 2018, the Company issued 10,000 shares of common stock upon the exercise of 10,000 share purchase warrants at \$0.10 per share for proceeds of \$1,000.
- (j) On February 15, 2018, the Company issued 60,000 shares of common stock upon the exercise of 60,000 share purchase warrants at \$0.10 per share for proceeds of \$6,000.
- (k) On February 15, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase options at \$0.10 per share for proceeds of \$10,000.
- (l) On March 7, 2018, the Company closed a non-brokered private placement offering (the “Financing”) of 6,555,000 units (the “Units”) at a price of \$0.25 per Unit for gross proceeds of \$1,638,750. Each Unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.35 per share for a period of 24 months from the closing of the Financing. In connection with the Financing, the Company paid \$78,900 of finder’s fees and issued 335,600 warrants with a fair value of \$53,208 as finder’s fees.
- (m) On March 13, 2018, the Company issued 250,000 shares of common stock upon the exercise of 250,000 share purchase warrants at \$0.10 per share for proceeds of \$25,000.
- (n) On March 15, 2018, the Company issued 10,000 shares of common stock upon the exercise of 10,000 share purchase warrants at \$0.10 per share for proceeds of \$1,000.
- (o) On March 20, 2018, the Company issued 10,000 shares of common stock upon the exercise of 10,000 share purchase warrants at \$0.10 per share for proceeds of \$1,000.
- (p) On March 21, 2018, the Company issued 500,000 shares of common stock upon the exercise of 500,000 share purchase warrants at \$0.10 per share for proceeds of \$50,000.
- (q) On March 22, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase warrants at \$0.10 per share for proceeds of \$10,000.
- (r) On March 23, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase options at \$0.10 per share for proceeds of \$10,000.
- (s) On March 23, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase options at \$0.15 per share for proceeds of \$15,000.
- (t) On March 26, 2018, the Company issued 487,500 shares of common stock upon the exercise of 487,500 share purchase warrants at \$0.10 per share for proceeds of \$48,750.

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11. Share Capital (continued)

- (u) On March 27, 2018, the Company issued 410,000 shares of common stock upon the exercise of 410,000 share purchase warrants at \$0.10 per share for proceeds of \$41,000.
- (v) On March 28, 2018, the Company issued 10,000 shares of common stock upon the exercise of 10,000 share purchase warrants at \$0.10 per share for proceeds of \$1,000.

12. Stock Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each stock option may be no less than the greater of \$0.10 per share and the closing market price of the Company's shares on the trading day immediately preceding the date of grant of the option, less any applicable discount allowed by the stock exchange on which the shares are traded, as calculated on the date of grant.

The following table summarizes information about the stock options.

	Nine Months Ended March 31, 2018		Year Ended June 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of period	260,000	\$ 1.00	260,000	\$ 1.00
Granted	5,500,000	\$ 0.13	–	–
Exercised	(2,185,000)	\$ 0.12	–	–
Cancelled	(100,000)	\$ 0.15	–	–
Outstanding – end of period	3,475,000	\$ 0.21	260,000	\$ 1.00
Exercisable – end of period	3,475,000	\$ 0.21	260,000	\$ 1.00

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2018.

Exercise Price	Expiry Date	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contracted Life (Years)
\$ 1.00	May 31, 2020	160,000	160,000	2.17
\$ 1.00	October 28, 2020	100,000	100,000	2.58
\$ 0.10	November 21, 2022	1,100,000	1,100,000	4.65
\$ 0.15	January 23, 2023	1,915,000	1,915,000	4.77
\$ 0.365	March 15, 2023	200,000	200,000	4.96
		3,475,000	3,475,000	4.56

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12. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes Option Pricing Model. During the nine months ended March 31, 2018, the Company recognized share-based compensation expense of \$613,626 (2017 - \$nil) in share-based payment reserve. The weighted average fair value of the options granted during the nine months ended March 31, 2018, was \$0.11 (2017 - \$nil). Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2018	2017
Risk-free rate	1.82%	nil%
Dividend yield	nil%	nil%
Volatility factor of the expected market price of the Company's common shares	124%	nil%
Weighted average expected life of the options (years)	5.00	nil

13. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	2,238,400	\$ 0.10
Issued	18,607,100	\$ 0.19
Exercised	(1,908,500)	\$ 0.10
Expired	–	–
Balance, March 31, 2018	18,937,000	\$ 0.19

The following table summarizes information about warrants outstanding and exercisable at March 31, 2018:

Warrants Outstanding	Exercise Price	Expiry Date
8,834,000	\$0.10*	November 10, 2019
1,025,000	\$0.10**	November 24, 2019
6,890,600	\$0.35	March 7, 2018
2,187,400	\$ 0.10***	December 12, 2019

* Exercisable at \$0.10 per share to November 10, 2018, and thereafter at \$0.20 per share to November 10, 2019.

** Exercisable at \$0.10 per share to November 24, 2018, and thereafter at \$0.20 per share to November 24, 2019.

*** Exercisable at \$0.10 per share to December 12, 2018, and thereafter at \$0.20 per share to December 12, 2019.

14. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

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14. Capital Management (continued)

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2017.

15. Commitments

The Company had no significant commitments or contractual obligations with any parties respecting executive compensation, consulting arrangements, or other matters other than disclosed below. Management services provided are on a month-to-month basis.

- (a) The Company has entered into a lease for equipment until December 31, 2020. The Company ceased making payments in September 2017 and is currently renegotiating the lease. The Company's future minimum lease payments for the existing equipment leases are as follows:

	\$
Fiscal year ending June 30, 2018	84,382
Fiscal year ending June 30, 2019	112,510
Fiscal year ending June 30, 2020	112,510
Fiscal year ending June 30, 2021	56,255
Total:	365,657

- (b) On November 2, 2016, the Company entered into an agreement to lease equipment until August 1, 2020. The Company made an initial payment of \$6,039 (PLN\$16,718) and agreed to pay \$3,162 (PLN\$8,387) per month. The lease is secured by a cash deposit of \$21,672 (PLN\$60,000) together with a promissory note guaranteed by a shareholder of the Company.
- (c) On November 9, 2016, the Company entered into an agreement for the purchase of feed stock and sale wood pellets for an indefinite period. Pursuant to the agreement, the Company will purchase feed stock from the supplier and sell wood pellets to the supplier. The sale price of the wood pellets will be based on the purchase price of the feed stock and guarantees a fixed margin of production. The agreement may be terminated by either party with 3 months' notice.
- (d) Commencing on January 1, 2017, the Company entered into an agreement to lease property for an indefinite period in exchange for PLN\$25,000 per month plus VAT and utilities. The lease is secured by equipment owned by the Company's subsidiary and a vehicle owned by a shareholder.
- (e) Commencing on January 1, 2017, the Company entered into an agreement for the purchase of electricity for the period of one year. Pursuant to the agreement, the Company will purchase an estimated total of 4000 MWh at a price of PLN\$210.90/MWh.
- (f) The Company has entered into a new lease for an automobile until July 16, 2020. The Company's future minimum lease payments for the automobile lease is as follows:

	\$
Fiscal year ending June 30, 2018	2,422
Fiscal year ending June 30, 2019	4,843
Fiscal year ending June 30, 2020	4,843
Fiscal year ending June 30, 2021	404
Total:	12,512

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16. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement.

	Fair Value Measurements Using			Balance, March 31, 2018 \$
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	
Cash	1,041,055	–	–	1,041,055

The fair values of other financial instruments, which include accounts receivable, accounts payable and accrued liabilities, loans payable, amounts due from and to related parties, and obligations under finance lease, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is in its cash and accounts receivables. Cash is held with major banks in Canada, which are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets represents the maximum credit exposure.

Accounts receivable consists of trade receivables and input tax credits. The following table represents the customers that represented 10% or more of total trade receivables as of:

	March 31, 2018	June 30, 2017
Customer A	67%	77%
Customer B	8%	14%

The following table represents the customers that represented 10% or more of total revenue for the nine months ended March 31:

	2018	2017
Customer A	77%	99%

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16. Financial Instruments and Risk Management (continued)

(c) Currency Risk

The Company's functional currencies are the Canadian dollar and Polish zloty. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and some operating expenses are denominated in Canadian dollars. The Company's revenue and a large portion of operating expenses are denominated in Polish zloty. If the Polish zloty depreciates compared to the Canadian dollar, revenue would decrease in Canadian dollars. A 10% change in the foreign currency exchange rate would have an approximate impact of \$30,000 on net loss. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relies on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. Significant balances as expressed in Polish zloty are as follows:

	March 31, 2018 PLN\$	June 30, 2017 PLN\$
Cash	48,977	38,658
Accounts receivable	804,236	184,559
Due from related parties	88,721	55,872
Inventory	1,042,904	–
Prepaid expenses	363,554	44,372
Accounts payable and accrued liabilities	(1,986,205)	(1,244,442)
Loans payable	(400,807)	(628,207)
Obligations under finance lease	(982,688)	(1,039,053)
Net Polish zloty liabilities	(1,021,308)	(2,588,241)

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The income earned from the bank accounts and short-term term deposits is subject to movements in interest rates.

(e) Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash to satisfy short-term liabilities in highly liquid investments.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1 -5 Years \$
As at March 31, 2018				
Trade and other payables	825,041	825,041	825,041	–
Obligations under finance lease	370,447	370,447	168,765	201,682
	1,195,488	1,195,488	993,806	201,682

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17. Supplemental Cash Flow Information

	March 31, 2018 \$	March 31, 2017 \$
Non-cash investing and financing activities:		
Shares issued to settle debt	–	106,630
Shares issued to settle related party debt	–	186,500
Supplemental disclosures:		
Interest paid	13,565	–
Income taxes paid	–	–

18. Segmented Information

The Company has one operating segment which is manufacturing, marketing, and distributing softwood pellets and shavings for consumer and industrial customers. The Company has operations in Canada and Poland. The geographic distribution of non-current assets is as follows:

	Canada \$	Poland \$	Total \$
March 31, 2018			
Property and equipment	1,656	393,536	395,192
	Canada \$	Poland \$	Total \$
June 30, 2017			
Property and equipment	2,070	320,165	322,235

All of the Company's revenue during the nine months ended March 31, 2018 and 2017, was generated in Poland.

19. Subsequent Events

- (a) On April 13, 2018, the Company closed a non-brokered private placement offering (the "Financing") of 14,266,665 units (the "Units") at a price of \$0.30 per Unit for gross proceeds of \$4,280,000. Each Unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.35 per share for a period of 18 months from the closing of the Financing.
- (b) On April 11, 2018, the Company entered into a consulting agreement whereby the consultant will provide consulting services in exchange for US\$145,000.
- (c) Subsequent to March 31, 2018, a total of 1,121,500 warrants were exercised at \$0.10 per share for total proceeds of \$112,150.