GREEN 2 BLUE ENERGY CORP.

(formerly Brigade Resource Corp.)

Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Green 2 Blue Energy Corp. (formerly Brigade Resource Corp.)

We have audited the accompanying consolidated financial statements of Green 2 Blue Energy Corp., which comprise the consolidated statement of financial position as at June 30, 2018, the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Green 2 Blue Energy Corp. as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Green 2 Blue Energy Corp.'s ability continue as a going concern.

Other Matter
The consolidated financial statements of Green 2 Blue Energy Corp. for the year ended June 30, 3017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on November 17, 2017.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 31, 2018

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2018 $	June 30, 2017 $
Assets		
Current assets		
Cash	766,483	38,958
Accounts receivable (Note 6)	227,263	74,096
Due from related parties (Note 14)	–	19,585
Inventory (Note 7)	165,650	10,974
Prepaid expenses	168,862	22,774
	1,328,258	166,387
Non-current assets		
Property and equipment (Note 8)	832,291	322,235
Total assets	2,160,549	488,622
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	847,204	712,065
Current portion of loans payable (Note 10)	120,193	300,309
Due to related parties (Note 14)	12,281	2,384
Current portion of obligations under finance lease (Note 11)	82,896	81,206
	1,062,574	1,095,964
Non-current liabilities		
Loans payable (Note 10)	–	118,106
Obligations under finance lease (Note 11)	262,538	283,026
Total liabilities	1,325,112	1,497,096
Shareholders’ equity (deficit)		
Share capital (Note 15)	10,033,693	1,659,637
Share-based payment reserve	1,394,112	376,846
Deficit	(10,567,259)	(3,002,013)
Accumulated other comprehensive loss	(30,201)	(43,327)
Total Green 2 Blue Energy Corp. shareholders’ equity (deficit)	830,345	(1,008,857)
Non-controlling interest	5,092	383
Total shareholders’ equity (deficit)	835,437	(1,008,474)
Total liabilities and shareholders’ equity (deficit)	2,160,549	488,622

Going concern (Note 1)
Commitments (Note 19)
Subsequent events (Note 24)

Approved and authorized for issuance by the Board of Directors on October 31, 2018:

/s/ “Slawomir Smulewicz”
Slawomir Smulewicz, Director

/s/ “Michael Young”
Michael Young, Director

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

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended June 30, 2018 $	Year Ended June 30, 2017 $
Sales	896,320	454,880
Cost of sales	(824,734)	(420,705)
Gross profit	71,586	34,175
Operating Expenses		
Consulting and management fees (Note 14)	3,753,239	269,630
Depreciation	6,110	54,347
Foreign exchange (gain) loss	83,868	(5,488)
General and administrative	1,437,424	366,706
Professional fees (Note 14)	252,879	155,400
Share-based payments (Note 16)	1,019,654	–
Travel	56,025	23,127
Wages and benefits	7,979	16,505
Total operating expenses	6,617,178	880,227
Net loss before other income (expense)	(6,545,592)	(846,052)
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
Gain on disposal of property, plant, and equipment	–	21,823
Listing expense (Note 5)	(988,176)	–
Other income	11,184	–
Interest income (expense)	(37,953)	(55,611)
Total other income (expense)	(1,014,945)	3,707
Net loss for the year	(7,560,537)	(842,345)
Less: net loss attributable to the non-controlling interest	(4,709)	401
Net loss attributable to shareholders of Green 2 Blue Energy Corp.	(7,565,246)	(841,944)
Foreign currency translation	13,126	(33,481)
Comprehensive loss attributable to shareholders Green 2 Blue Energy Corp.	(7,552,120)	(875,425)
Basic and diluted loss attributable to Green 2 Blue Energy Corp.	(0.11)	(0.04)
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	67,228,372	21,967,376

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

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares Number	Common Shares Amount $	Share-based Payment Reserve $	Subscription subscribed $	Deficit $	Accumulated Other Comprehensive Income (Loss) $	Non-controlling Interest $	Total Shareholders' Deficit $
Balance, June 30, 2016	39,890,002	1,304,137	376,846	–	(2,160,069)	(9,846)	784	(488,148)
Issuance of common shares for cash	1,247,400	62,370	–	–	–	–	–	62,370
Issuance of common shares for conversion of related party debt	3,730,000	186,500	–	–	–	–	–	186,500
Issuance of common shares for conversion of debt	2,132,600	106,630	–	–	–	–	–	106,630
Net loss for the year	–	–	–	–	(841,944)	–	(401)	(842,345)
Foreign currency translation	–	–	–	–	–	(33,481)	–	(33,481)
Balance, June 30 2017	47,000,002	1,659,637	376,846	–	(3,002,013)	(43,327)	383	(1,008,474)
Recapitalization of the Company's shares	6,570,400	657,040	162,858	291,120	–	–	–	1,111,018
Issuance of units for cash	32,283,365	7,064,920	–	(291,120)	–	–	–	6,773,800
Issuance of units for finders' fees	146,800	–	–	–	–	–	–	–
Issuance of warrants for finders' fees	–	(61,994)	61,994	–	–	–	–	–
Share issuance costs	–	(78,900)	–	–	–	–	–	(78,900)
Issuance of shares upon exercise of options	2,185,000	472,107	(216,857)	–	–	–	–	255,250
Issuance of shares upon exercise of warrants	3,105,000	320,883	(10,383)	–	–	–	–	310,500
Share-based payment	–	–	1,019,654	–	–	–	–	1,019,654
Net loss for the year	–	–	–	–	(7,565,246)	–	4,709	(7,560,537)
Foreign currency translation	–	–	–	–	–	13,126	–	13,126
Balance, June 30, 2018	91,290,567	10,033,693	1,394,112	–	(10,567,259)	(30,201)	5,092	835,437

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

GREEN 2 BLUE ENERGY CORP.
(formerly Brigade Resource Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended June 30, 2018 $	Year Ended June 30, 2017 $
Operating activities		
Net loss	(7,560,537)	(842,345)
Items not affecting cash:		
Accretion of discount on convertible debt	–	22,073
Change in fair value of derivative liabilities	–	(26,085)
Depreciation	110,041	54,347
Non-cash listing expense	988,176	–
Share-based compensation	1,019,654	–
Gain on disposal of equipment	–	(21,823)
Gain on disposal of G2BE Services PTE Ltd.	–	(33,483)
Changes in non-cash operating working capital:		
Accounts receivable	(142,965)	(55,176)
Inventory	(154,676)	(3,103)
Prepaid expenses	(146,088)	(10,789)
Accounts payable and accrued liabilities	2,968	391,663
Due to related parties	29,482	143,642
Net cash used in operating activities	(5,853,945)	(381,079)
Investing activities		
Purchase of property and equipment	(584,808)	–
Proceeds from sale of equipment	–	27,693
Net cash (used in) provided investing activities	(584,808)	27,693
Financing activities		
Cash acquired upon recapitalization	5,459	–
Repayment of finance lease obligations	(26,228)	(31,681)
Proceeds from loans payable	1,758	391,452
Repayment of loans payable	(77,018)	(28,394)
Repayment of convertible debt	–	(2,033)
Proceeds from common shares issued	6,694,900	62,370
Proceeds from the exercise of options	255,250	–
Proceeds from the exercise of warrants	310,500	–
Net cash provided by financing activities	7,164,621	391,714
Effects of exchange rate changes on cash	1,657	(4,614)
Change in cash	727,525	33,714
Cash, beginning of year	38,958	5,244
Cash, end of year	766,483	38,958

Supplemental Cash Flow Information (Note 21)

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

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 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 (the "Transaction").

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.

These 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 June 30, 2018, the Company had a negative cash flow from operations, had an accumulated deficit of $10,567,259. Furthermore, the Company incurred a net loss of $7,560,537 during the year ended June 30, 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.

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for all periods presented, on a going concern basis.

The financial statements were authorized for issue by the Board of Directors on October 31, 2018.

2. Basis of Presentation (continued)

(a) Statement of Compliance and Principles of Consolidation (continued)

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	Ownership Interest
G2BE Canada Inc. ("G2BE")	Canada	100%
Green 2 Blue Energy Europe Sp. z.o.o. ("G2BE Europe")	Poland	99.5% owned by G2BE
G2BE Poland Sp z o.o. ("G2BE Poland")	Poland	99% owned by G2BE
G2BE Europe Limited ("G2BEEL")	Malta	100%

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, except where otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and G2BE is Canadian dollars and G2BEEL, G2BE Europe and G2BE Poland's functional currency is Polish zloty ("PLN$").

(c) Use of Estimates and Judgments

The preparation of these 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.

2. Basis of Presentation (continued)

(c) Use of Estimates and Judgments (continued)

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.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents.

(b) Accounts Receivable

Accounts receivable is comprised of amounts due from customers for purchases of the Company's products and is recorded net of allowance for doubtful accounts. Factors such as current economic conditions, historical information, and reasons for any accounts being past due are all considered when determining whether to write off accounts receivable.

(c) Inventory

Inventory is comprised of raw material and finished goods, which are valued at the lower of cost and net realizable value. Costs are determined using the weighted average basis for raw materials and manufactured goods and first-in-first-out for goods purchased for resale. Net realizable value is determined on the basis of anticipated sales proceeds less the estimated selling expenses. Inventory is reviewed at least annually for impairment due to slow moving or obsolescence.

(d) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be reliably measured. All other expenditures are charged to operating expenses as incurred.

When major components of property and equipment have different useful lives, they are accounted for as separate items. Depreciation of property and equipment is based on the estimated useful lives of the assets using the following rates:

Forklifts	14% declining balance
Furniture and fixtures	5 years straight-line
Technical equipment and machinery	5 years straight-line
Vehicles	4 years straight-line

3. Summary of Significant Accounting Policies (continued)

(e) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that they may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill acquired in a business combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Leases

The Company leases assets for administrative purposes. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment by the Company of whether the arrangement conveys a right to use the asset. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. Otherwise, leases are classified as operating leases.

Operating lease expense is recognized on a straight-line basis over the lease term.

Finance lease payments are recorded at the present value at the inception of the lease and apportioned at each disbursement date between financing costs and the lease liability using the implicit interest rate of the lease.

3. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, amounts due from and to related parties, and obligations under finance lease.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognized at fair value and subsequently carried at fair value. Gains and losses arising from changes in fair value are recorded in the consolidated statement of operations in the period in which they arise. Cash is classified as fair value through profit or loss.

(ii) Held-to-maturity investments: Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

(iii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized at fair value and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. The Company does not have any assets classified as available-for-sale.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Amounts due from related parties and accounts receivable are classified as loans and receivables.

(v) Non-derivative financial liabilities: The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, loans payable, amounts due to related parties, convertible debt to related parties, and obligations under finance lease.

3. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(vi) Financial liabilities designated at fair value through profit or loss include derivatives, including separated derivatives are also classified as held for trading and recognized at fair value with change in fair value recognized in earnings unless they are designate as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in the consolidated statement of operations.

(h) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(i) Revenue Recognition

Revenue is recognized when title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions, the sales price to the customer is fixed and determinable, and collection of the resulting receivable is reasonably assured. Gross revenue is reduced by discounts, credits, allowances, and product returns. Generally, revenue is recognized when the risks and rewards are transferred to the customer based on shipping terms negotiated in sales contracts.

(j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

(k) Income Taxes

Income tax comprises current and deferred income tax. Current income tax and deferred income tax are recognized in the consolidated statement of operations except to the extent that they relate to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred income tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor the consolidated statement of operations.

Recognition of deferred income tax assets for unused tax losses, tax credits, and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available against which the deferred income tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred income tax assets. The Company recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

3. Summary of Significant Accounting Policies (continued)

(l) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, the exercise of stock options and share purchase warrants is considered to be anti-dilutive and basic and diluted loss per share are the same. As at June 30, 2018, the Company has 38,622,165 (2017 – 0) potentially dilutive shares outstanding.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. For the years ended June 30, 2018 and 2017, comprehensive income (loss) consists of foreign currency translation gains and losses.

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as a stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(o) Accounting Standards Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after July 1, 2018, or later periods.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Overall, the Company does not expect the implementation of IFRS 9 to have a significant impact on its financial assets.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Commencing July 1, 2018, the Company will adopt IFRS 15 on a cumulative effective basis, with no restatement of the comparative period.

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(o) Accounting Standards Issued But Not Yet Effective (continued)

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statements of financial position. As a result, the Company expects IFRS 16 to have a significant change to the consolidated statements of financial position.

4. Sale of G2BE Services PTE Ltd.

On March 27, 2017, the Company sold its interest in G2BE Services to the President of the Company for consideration of $1. As a result, the Company recorded a gain on disposal of $33,483 related to its interest.

5. The Transaction

On January 17, 2017, the Company and G2BE entered into a share exchange agreement, 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.

This resulted in a reverse take-over of the Company by the shareholders of G2BE. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As G2BE is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of G2BEup to the date of the Transaction.

On July 21, 2017, the Transaction closed and the Company acquired, on a one for one basis, all issued and outstanding shares of G2BE in exchange for 6,570,400 common shares of the Company.

Consideration - shares	$	657,040
Fair value of stock options		4,983
Fair value of share purchase warrants		157,875
Total consideration		819,898
Add - Net liabilities assumed		168,278
Listing expense	**$**	**988,176**

(Expressed in Canadian dollars)

5. The Transaction (continued)

Fair value of the Company acquired, net of liabilities		
Cash	$	5,459
Loan receivable		200,944
Taxes receivable		10,202
Accounts and accrued liabilities		(93,763)
Subscription received		(291,120)
	$	**(168,278)**

The fair value of 6,750,400 issued common shares of the Company was estimated to be $0.10 per share using the price of a financing that was completed concurrently.

The Company assumed 260,000 stock options exercisable at $1.00 per share expiring March 31, 2020 to October 28, 2020. The fair value of stock options was $4,983, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.00%
Estimate life	3.02 years
Expected volatility	100%
Expected dividend yield	0%
Forfeiture rate	0%

The Company assumed 2,238,400 share purchase warrants exercisable at a price of $0.10 per share expiring on September 20, 2021. The fair value of share purchase warrants was $157,875, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.00%
Estimate life	4.17 years
Expected volatility	100%
Expected dividend yield	0%
Forfeiture rate	0%

6. Accounts Receivable

	June 30, 2018	**June 30, 2017**
Trade accounts receivable	$ 54,295	$ 33,259
GST and VAT receivable	172,968	40,837
	$ 227,263	**$ 74,096**

(Expressed in Canadian dollars)

7. Inventory

	June 30, 2018	June 30, 2017
Raw materials	8,134	10,974
Work in progress	60,328	–
Finished goods	97,188	–
	165,650	**10,974**

During the year ended June 30, 2018, the Company recognized $672,381 of inventory in cost of sales (2017 - $319,848).

8. Property and Equipment

	Assets Under Construction $	Forklift $	Furniture and Fixtures $	Technical Equipment and Machinery $	Total $
Cost:					
Balance, June 30, 2016	27,167	3,470	2,760	512,163	545,560
Additions	914	–	–	1,402	2,316
Dispositions	(4,876)	–	–	–	(4,876)
Balance, June 30, 2017	23,205	3,470	2,760	513,565	543,000
Additions	607,481	4,669	5,857	5,954	623,961
Balance, June 30, 2018	630,686	8,139	8,617	519,519	1,166,961
Accumulated depreciation:					
Balance, June 30, 2016	–	687	138	146,505	147,330
Additions	–	519	552	99,168	100,239
Balance, June 30, 2017	–	1,206	690	245,673	247,569
Additions	–	817	1,952	109,394	112,163
Balance, June 30, 2018	–	2,023	2,642	355,067	359,732
Foreign exchange					
Balance, June 30, 2017	(1,841)	(187)	–	(24,776)	(26,804)
Balance, June 30, 2018	10,754	(127)	(3,086)	(32,603)	(25,062)
Carrying amounts:					
Balance, June 30, 2017	25,046	2,451	2,070	292,668	322,235
Balance, June 30, 2018	619,932	6,243	9,061	197,055	832,291

During the year ended June 30, 2018, included in cost of sales was amortization of $103,931 (2017 - $50,277)

9. Land and Buildings

On June 19, 2018, the Company exercised its option to purchase its leased premises and buildings in Rzeczenica, Poland, that was negotiated at time of signing the original lease in November 2016 with the court appointed receiver Seeger-Dach Sp. z o.o. (“Seeger-Dach”). The Company will pay Seeger-Dach a cash payment of $670,000 (PLN $1,903,494) plus applicable (23%) Value Added Tax (“VAT”). The Property Purchase agreement includes 17 acres of land, all buildings, and existing infrastructure. Closing will not occur until the Company has received its VAT opinion from the Polish courts and tax authority. As at June 30, 2018, the transaction has not yet closed.

(Expressed in Canadian dollars)

10. Loans Payable

(a) As at June 30, 2018, the Company owed $nil (June 30, 2017 - $25,000) to an unrelated third party, which was unsecured, bore interest at the greater of $2,500 or 10% per annum, and was due on demand.

(b) As at June 30, 2018, the Company owed $1,758 (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 June 30, 2018, the Company owed $nil (June 30, 2017 - $8,763 (PLN$25,000)) to an unrelated third party, which was unsecured, bore interest at 10% per annum, and was due on October 31, 2017.

(d) As at June 30, 2018, the Company owed $nil (June 30, 2017 - $57,524 (PLN$164,100)) to the President of G2BE Europe, which was unsecured, bore interest at 5% per annum, and was due on December 31, 2017.

(e) As at June 30, 2018, the Company owed $nil (June 30, 2017 - $8,763 (PLN$25,000)) to the President of G2BE Europe, which was unsecured, bore interest at 5% per annum, and was due on December 31, 2017.

(f) As at June 30, 2018, the Company owed $nil (June 30, 2017 - $14,133 (PLN$40,318)) to the President of G2BE Europe, which was unsecured, bore interest at 5% per annum, and was due on December 31, 2017.

(g) As at June 30, 2018, the Company owed $63,273 (PLN$180,000) (June 30, 2017 - $63,105 (PLN$180,000)), 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 June 30, 2018, the Company owed $55,162 (PLN$156,923) (June 30, 2017 - $55,001 (PLN$156,923)), 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.

(i) As at June 30, 2017, the Company owed $184,372 to G2BE, which is unsecured, bears interest at 5% per annum, and due on December 22, 2017. Upon completion of the Transaction, the loan payable was eliminated.

11. 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 June 30, 2018:

Year ending June 30:	**$**
2019	183,598
2020	104,913
2021	52,462
Net minimum lease payments	340,973
Residual value	52,926
Less: amount representing interest payments	(48,465)
Present value of net minimum lease payments	345,434
Less: current portion	(82,896)
Non-current portion	262,538

(Expressed in Canadian dollars)

12. Convertible Debt – Related Party

On October 13, 2014, the Company entered into a loan agreement with the President of the Company. Pursuant to the agreement, the President of the Company will advance up to $300,000 to the Company. Advances will bear interest at 5% per annum and mature on October 30, 2016 or such later date at the sole discretion of the President of the Company. The loan is convertible at the holder's option at any time prior to the maturity date at the lower of: (i) $0.05 per share; or (ii) the price of the common shares most recently issued by the Company. On February 9, 2015, the parties entered into an amendment to the loan agreement whereby the credit limit referred to in the loan agreement was increased by $100,000 to $400,000.

The conversion feature failed to meet equity classification and was accounted for as a derivative liability and accounted for separately from the host instrument. The principal balance was accounted for at amortized cost, and the embedded derivative liability was measured at fair value with changes in value recorded in the consolidated statement of operations.

On October 30, 2016, the note matured and the remaining outstanding balance was transferred to a noninterest bearing, due on demand related party advance. During the year ended June 30, 2018, the Company recognized accretion expense of $nil (2017 - $22,073). As at June 30, 2018 and 2017, the Company had $nil of convertible debt outstanding.

13. Derivative Liabilities

The conversion feature described in Note 12 failed to meet equity classification and, as a result, was accounted for as a derivative liability separately from the host debt instrument. The fair value of the conversion feature (derivative liability) was revalued at each reporting date and the fair value changes recorded in the consolidated statement of operations.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities:

	June 30, 2018	June 30, 2017
Balance at the beginning of period	–	26,085
Change in fair value of derivative liabilities	–	(26,085)
Balance at the end of the period	**–**	**–**

During the year ended June 30, 2018, the Company recorded a gain on the change in fair value of the derivative liabilities of $nil (2017 - $26,085).

The Company uses the Black-Scholes option pricing model to calculate the fair values of the derivative liabilities. The following table shows the weighted average assumptions used in the calculations:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
As at issuance date	168%	0.97%	0%	2.05
As at June 30, 2017	–	–	–	–
As at June 30, 2018	–	–	–	–

14. Related Party Transactions

(a) As at June 30, 2018, the Company owed $8,201 (PLN$23,330) (June 30, 2017 was owed - $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 June 30, 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 June 30, 2018, the Company owed $2,384 (June 30, 2017 - $9,179) and $1,696 (PLN$4,826) 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 June 30, 2018, the Company owed $Nil (June 30, 2017 - $67) to the Chief Financial Officer of the Company and a company controlled by the Chief Financial Officer of the Company, which was included in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing, and due on demand.

(e) At June 30, 2018, the Company owed $nil (2017 - $63,000) and $nil (2017 - $87,000) to companies controlled by the Chief Financial Officer and President of the Company respectively, which is included in accounts payable and accrued liabilities.

(f) During the year ended June 30, 2018, the Company recorded management fees of $153,750 (2017 - $13,000) and share-based compensation of $194,796 (2017 - $nil) to a company controlled by the President of the Company.

(g) During the year ended June 30, 2018, the Company recorded management fees of $123,000 (2017 - $63,000) and share-based compensation of $176,710 (2017 - $nil) to a company controlled by the Chief Financial Officer of the Company.

(h) During the year ended June 30, 2018, the Company recorded consulting fees of $50,000 (2017 - $nil) and share-based compensation of $92,508 (2017 - $nil) to a Director of the Company.

(i) During the year ended June 30, 2018, the Company recorded professional fees of $4,500 (2017 - $nil) and share-based compensation of $117,074 (2017 - $nil) to a Director of the Company.

15. 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.

Effective July 10, 2017, the Company completed a forward stock-split on a 1 old for 2 new basis of its authorized, issued, and outstanding common stock. As a result, the issued and outstanding capital of the G2BE as at June 30, 2017 increased from 23,500,001 shares of common stock to 47,000,002 shares of common stock. The accompanying financial statements and related notes thereto have been retroactively restated to reflect the reverse stock-split.

Issued during the year ended June 30, 2018:

(a) 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.

15. Share Capital (continued)

(b) 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.

(c) 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.

(d) On January 29, 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 $55,208 as finder's fees.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) On March 23, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase options at $0.15 per share for proceeds of $15,000.

(s) 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.

15. Share Capital (continued)

(t) 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.

(u) 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.

(v) On April 4, 2018, the Company issued 113,500 shares of common stock upon the exercise of 113,500 share purchase warrants at $0.10 per share for proceeds of $11,350.

(w) On April 5, 2018, the Company issued 375,000 shares of common stock upon the exercise of 375,000 share purchase warrants at $0.10 per share for proceeds of $37,500.

(x) On April 16, 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.

(y) On April 18, 2018, the Company issued 108,000 shares of common stock upon the exercise of 108,000 share purchase warrants at $0.10 per share for proceeds of $10,800. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at $6,786 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

(z) On April 23, 2018, the Company issued 450,000 shares of common stock upon the exercise of 450,000 share purchase warrants at $0.10 per share for proceeds of $45,000.

(aa) On May 16, 2018, the Company issued 75,000 shares of common stock upon the exercise of 75,000 share purchase warrants at $0.10 per share for proceeds of $7,500.

(bb) On June 12, 2018, the Company issued 75,000 shares of common stock upon the exercise of 75,000 share purchase warrants at $0.10 per share for proceeds of $7,500.

In relation to the common stock issued upon the exercise of stock options, the Company recognized $216,857 in capital stock from share-based payment reserve.

In relation to the common stock issued upon the exercise of share purchase warrants, the Company recognized $10,383 in capital stock from share-based payment reserve.

Issued during the year ended June 30, 2017:

(a) On September 29, 2016, the Company issued 200,000 post-stock split common shares at a price of $0.05 per share for proceeds of $10,000.

(b) On November 30, 2016, the Company issued 500,000 post-stock split common shares at a price of $0.05 per share for proceeds of $25,000.

(c) On December 6, 2016, the Company issued 3,300,000 post-stock split common shares with a fair value of $165,000 to the President of the Company to settle debt of $165,000.

(d) On December 6, 2016, the Company issued 430,000 post-stock split common shares with a fair value of $21,500 to the Chief Financial Officer of the Company to settle debt of $21,500.

(e) On December 6, 2016, the Company issued 2,132,600 post-stock split common shares with a fair value of $106,630 to settle debt of $106,630.

(f) On December 15, 2016, the Company issued 547,400 post-stock split common shares for proceeds of $27,370.

(Expressed in Canadian dollars)

16. 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.

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2016 and 2017	–	–
Options of the Company at time of Transaction (Note 5)	260,000	$1. 00
Granted	8,900,000	$ 0.14
Exercised	(2,185,000)	$ 0.12
Cancelled	(360,000)	$ 0.04
Outstanding at June 30, 2018	6,615,000	$ 0.15
Exercisable at June 30, 2018	6,615,000	$ 0.15

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2018.

Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Number of Options Exercisable	Weighted Average Remaining Contracted Life (Years)
$ 0.10	November 21, 2022	1,100,000	1,100,000	4.40
$ 0.15	January 23, 2023	1,915,000	1,915,000	4.52
$ 0.365	March 15, 2023	200,000	200,000	4.71
$ 0.15	June 13, 2023	3,000,000	3,000,000	4.96
$ 0.15	June 19, 2023	400,000	400,000	4.97
		6,615,000	6,615,000	4.73

Share-based compensation expense is determined using the Black-Scholes Option Pricing Model. During the year ended June 30, 2018, the Company recognized share-based compensation expense of $1,019,654 (2017 - $nil) in share-based payment reserve. The weighted average fair value of the options granted during the year ended June 30, 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	1.95%	nil%
Dividend yield	nil%	nil%
Expected volatility	121%	nil%
Weighted average expected life of the options (years)	5.00	nil

(Expressed in Canadian dollars)

17. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017 and 2016	–	–
Warrants of the Company at time of Transaction (Note 5)	2,238,400	$ 0.10
Issued	32,873,765	$ 0.26
Exercised	(3,105,000)	$ 0.10
Balance, June 30, 2018	32,007,165	$ 0.27

The following table summarizes information about warrants outstanding and exercisable at June 30, 2018:

Warrants Outstanding	Exercise Price	Expiry Date
7,787,500	$0.10*	November 10, 2019
875,000	$0.10**	November 24, 2019
2,187,400	$0.10***	December 12, 2019
6,890,600	$0.35	March 7, 2020
14,266,665	$0.35	October 16, 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.*

18. 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.

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.

(Expressed in Canadian dollars)

19. 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, 2019	183,598
Fiscal year ending June 30, 2020	104,913
Fiscal year ending June 30, 2021	52,462
Total:	340,973

(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, 2019	4,843
Fiscal year ending June 30, 2020	4,843
Fiscal year ending June 30, 2021	404
Total:	10,090

20. 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 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.

20. Financial Instruments and Risk Management (continued)

(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:

	June 30, 2018	**June 30, 2017**
Customer A	37%	77%
Customer B	19%	14%
Customer C	20%	–
Customer D	10%	–

The following table represents the customers that represented 10% or more of total revenue for the year ended June 30:

	June 30, 2018	**June 30, 2017**
Customer A	88%	99%

(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 $85,000 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:

(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.

(Expressed in Canadian dollars)

21. Supplemental Cash Flow Information

	June 30, 2018	June 30, 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	13,014	40,027
Income taxes paid	–	–

22. 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
June 30, 2018			
Property and equipment	$ 1,518	$ 830,773	$ 832,291

	Canada	Poland	Total
June 30, 2017			
Property and equipment	$ 2,070	$ 320,165	$ 322,235

All of the Company's revenue during the year ended June 30, 2018 and 2017, was generated in Poland.

(Expressed in Canadian dollars)

23. Income Taxes

The Company operates in Canada, Singapore, and Poland and is subject to statutory income tax rates of 26%, 17%, and 19%, respectively. The income tax provision differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net income (loss) before taxes as follows:

	June 30, 2018	June 30, 2017
Statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(1,965,740)	(219,010)
Tax effect of:		
Permanent differences and other	495,788	8,413
Change in substantively enacted tax rates	–	11,798
Difference in tax rates between foreign jurisdictions	51,401	22,558
Change in unrecognized deferred income tax assets	1,418,551	176,241
Income tax provision	–	–

The significant components of the Company's deferred income taxes are as follows:

	June 30, 2018	June 30, 2017
Deferred income tax assets		
Non-capital losses carried forward	1,816,772	432,654
Share issuance costs	32,360	–
Property and equipment	61,349	38,812
Total deferred income tax assets	1,910,481	471,466
Unrecognized deferred income tax assets	(1,910,481)	(471,466)
Net deferred income tax assets	–	–

As at June 30, 2018, the Company has non-capital losses carried forward of $7,411,114 in Canada and Poland which are available to offset future years' taxable income. These losses expire from 2035 to 2038.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

24. Subsequent Events

(a) Subsequent to June 30, 2018, a total of 87,500 warrants were exercised at $0.10 per share for total proceeds of $8,750.

(b) On July 5, 2018, the Company granted 1,000,000 stock options to purchase common shares of the Company's common stock at $0.15 per share for 5 years.