GREEN 2 BLUE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2018

This discussion and analysis of financial position and results of operations is prepared as at March 1, 2019 and should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended December 31, 2018, of Green 2 Blue Energy Corp. ("G2BE" or the "Company"). The unaudited interim consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All references to dollar amounts are in Canadian dollars unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis may include forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company's future results. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information.

Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

Forward-looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based may not occur. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. The forward-looking statements contained herein are expressly qualified by this cautionary statement

DESCRIPTION OF BUSINESS

The Company was incorporated as a wholly-owned subsidiary of Voltaire Services Corp. ("Voltaire") pursuant to the Business Corporations Act ("BCBCA") on October 9, 2014 under the name "Brigade Resource Corp.". Its head office is located at Suite 1518, 800 West Pender Street, Vancouver, British Columbia, V6C 2V6 and its registered and records office is located at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On November 20, 2014, the Company entered into the Arrangement Agreement with Voltaire and Brigadier Exploration Corp. ("Brigadier"). Brigadier was incorporated pursuant to the BCBCA on August 13, 2014. The Arrangement Agreement contemplated the Arrangement whereby the Company would become a reporting issuer in the provinces of Alberta and British Columbia and Brigadier would become a wholly-owned subsidiary of the Company. The Arrangement was approved by the Supreme Court of British Columbia on January 5, 2015 and was completed on July 6, 2015.

On March 3, 2017, the Company's subsidiaries, Brigadier Exploration Corp., Battalion Capital Corp. and Hussar Exploration Corp. merged with the Company through a vertical short form amalgamation, which was approved by the Company's Board of Directors on March 2, 2017.

On July 21, 2017, the Company changed its name to "Green 2 Blue Energy Corp.".

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. ("G2BEC"), 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 G2BEC by issuing 47,000,002 common shares to the G2BE shareholders on the basis of one common share for every one G2BEC common share. Upon completion of the Acquisition, the G2BEC shareholders held approximately 87% of the issued and outstanding shares of the Company. As the shareholders of G2BEC hold a majority of the common shares of the Company and will continue its existing business, G2BEC is considered to have acquired the Company on an accounting basis, and the transaction was accounted for as a reverse takeover.

Consequently, the Company now has six subsidiaries: (i) G2BEC, which was incorporated under the BCBCA on May 30, 2014; (ii) G2BE SINO Ltd., which is 65% owned by the Company and incorporated under the laws of Hong Kong on August 20, 2018; (iii) G2BE Europe Ltd. (G2BEE), which was incorporated under the laws of Malta on June 11, 2018; (iv) G2BE Poland Sp. z o.o., which is 99% owned by G2BEE and was incorporated under the laws of Poland on June 28, 2016, G2BE Production Sp. z o.o., which is 99.5% owned by G2BE Poland and was incorporated under the laws of Poland on October 13, 2014 and G2BE Zaklad 2 Sp. z o.o. which is 99% owned by G2BE Poland and was incorporated under the laws of Poland on October 10, 2018.

The Company is now engaged in the production of both 6mm and 8mm wood pellets at its facility in Rzeczenica, Poland and its newly leased facility in Szczypkowice. All of the Company's manufactured wood pellets are ENplus A1 Certified to the highest standards and sold to customers for both residential and commercial heat and power generation.

On November 10, 2017, the Company completed an equity financing by way of private placement relying on the prospectus and registration exemptions pursuant to NI 45-106 and other applicable laws, rules and regulations to issue 10,436,700 units of the Company at a price of $0.10 per unit to raise gross proceeds of $1,043,670. 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. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder thereof to purchase one common share for the price of $0.10 per share for a twelve-month period and thereafter for the price of $0.20 per share for an additional twelve-month period.

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 form the closing of the Financing and thereafter at a price of $0.20 per share until 24 months from the closing of the Financing.

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.

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.

OVERALL PERFORMANCE

Results of Operations for the Six Months Ended December 31, 2018 and 2017

The following table summarizes the results of our operations for the six months ended December 31, 2018, and 2017:

	Six Months Ended December 31, 2018	2017
Revenue	$ 697,842	$ 390,579
Cost of sales	(502,274)	(335,627)
Operating expenses	938,111	933,676
Consulting and management fees	153,100	315,000
General and administrative	659,670	294,777
Share-based compensation expense	126,259	226,259
Total other income (expense)	(41,807)	(995,348)
Net loss for the period	(784,350)	(1,874,072)
Basic and diluted loss per share	(0.01)	(0.04)

Revenue for the six months ended December 31, 2018 was $697,842, compared to $390,579 for the six months ended December 31, 2017. Cost of sales for six months ended December 31, 2018, were $502,274, compared to $335,627 for the six months ended December 31, 2017. The increase in revenue, and corresponding increase in cost of sales, was due to an increase in production and sale of pellets.

Operating expenses for the six months ended December 31, 2018, were $938,111, compared to $933,676 for six months ended December 31, 2017. The significant differences in expenditures were as follows:

- Consulting and management fees were $153,100 during the six months ended December 31, 2018. The Company incurred management fees and consulting fees of $46,500 to the President of the Company and the wife of the President of the Company, $75,600 to the former CFO of the Company, and consulting fees of $20,000 to a former Director of the Company during the six months ended December 31, 2018. Consulting and management fees were $315,000 during the six months ended December 31, 2017. The Company incurred management fees and consulting fees of $75,000 to the President of the Company and the wife of the President of the Company, $30,000 to the former CFO of the Company, and consulting fees of $Nil to a former Director of the Company during the six months ended December 31, 2017. Consulting expense decreased as a result of a decrease in the number of consultants engaged in 2018.
- General and administrative expenses were $659,670 during the six months ended December 31, 2018, compared to $294,777 during the six months ended December 31, 2017. This increase was a result of increased production and operations in 2018.
- Share-based compensation expense was $126,259 during the six months ended December 31, 2018. This amount was a result of the grant of 1,000,000 stock options exercisable at $0.15 per share on July 10, 2018 and 400,000 stock options exercisable at $0.15 per share on November 26, 2018. Share-based compensation expense was $226,259 during the six months ended December 31, 2017. This amount was a result of the grant of 2,550,000 stock options at $0.10 per share on November 21, 2017.

During the six months ended December 31, 2018, other expense of $41,807 consisted mainly of interest expense. During the six months ended December 31, 2017, other expense consisted mainly of a $988,176 listing expense.

As a result of the foregoing, the Company recorded a net loss $784,350 for the six months ended December 31, 2018, as compared to a net loss of $1,874,072 for the six months ended December 31, 2017.

Results of Operations for the Three Months Ended December 31, 2018 and 2017

The following table summarizes the results of our operations for the three months ended December 31, 2018, and 2017:

	Three Months Ended December 31, 2018	2017
Revenue	$ 490,018	$ 228,755
Cost of sales	(368,714)	(194,945)
Operating expenses	478,420	714,697
Consulting and management fees	52,800	285,000
General and administrative	410,901	178,326
Share-based compensation expense	26,319	226,259
Total other income (expense)	(38,507)	672
Net loss for the period	(395,623)	(680,215)
Basic and diluted loss per share	(0.01)	(0.01)

Revenue for the three months ended December 31, 2018 was $490,018, compared to $228,755 for the three months ended December 31, 2017. Cost of sales for three months ended December 31, 2018, were $368,714, compared to $194,945 for the three months ended December 31, 2017. The increase in revenue, and corresponding increase in cost of sales, was due to an increase in production and sale of pellets.

Operating expenses for the three months ended December 31, 2018, were $478,420, compared to $714,697 for three months ended December 31, 2017. The significant differences in expenditures were as follows:

- Consulting and management fees were $52,800 during the three months ended December 31, 2018, compared to $285,000 during the three months ended December 31, 2017. The decrease in management and consulting expense was the result of change of management and postponing the payment of consulting fees to the President of the Company
- General and administrative expenses were $410,901 during the three months ended December 31, 2018, compared to $178,326 during the three months ended December 31, 2017. This increase was a result of increased production and operations in 2018.
- Share-based compensation expense was $26,319 during the three months ended December 31, 2018, This amount was a result of the grant of 1 400,000 stock options exercisable at $0.15 per share on November 26, 2018. Share-based compensation expense was $226,259 during the three months ended December 31, 2017. This amount was a result of the grant of 2,550,000 stock options at $0.10 per share on November 21, 2017.

During the three months ended December 31, 2018, other expense of $38,507 consisted mainly of interest expense. During the three months ended December 31, 2017, other expense consisted mainly of a $672 of interest income.

As a result of the foregoing, the Company recorded a net loss $395,623 for the three months ended December 31, 2018, as compared to a net loss of $680,215 for the three months ended December 31, 2017.

Quarterly Information

	December 31, 2018 $	September 30, 2018 $	June 30, 2018 $	March 31, 2018 $
Total Assets	2,170,140	1,803,653	2,160,549	2,285,678
Working Capital (Deficiency)	(1,245,459)	(376,880)	265,684	788,913
Gross Profit	121,304	74,264	71,586	134,661
Net Loss	(395,623)	(388,727)	(4,944,650)	(733,398)
Loss per Share	(0.01)	(0.00)	(0.06)	(0.01)

	December 31, 2017 $	September 30, 2017 $	June 30, 2017 $	March 31, 2017 $
Total Assets	1,007,796	529,527	488,622	542,337
Working Capital (Deficiency)	(757,773)	(1,038,255)	(929,577)	(572,206)
Gross Profit	33,810	21,142	23,698	6,217
Net Loss	(680,215)	(1,193,857)	(342,701)	(173,694)
Loss per Share	(0.01)	(0.03)	(0.02)	(0.01)

Total assets and working capital deficiency increased during the three-month period ended December 31, 2018 as a result of a decrease in cash offset by an increase in current and capital assets. Net loss was consistent with the three month period ended September 30, 2018. Working capital deficiency increased as a result of a decrease in cash and an increase in accounts payable, accrued liabilities and the current portion of obligations under finance leases.

Total assets and working capital decreased during the three-month period ended September 30, 2018 as a result of a decrease in cash used in operating expenses and to purchase capital assets. Net loss decreased during the three-month period ended September 30, 2018 as a result of a decrease in stock-based compensation.

Total assets and working capital increased during the three-month period ended June 30, 2018 as a result of an increase in cash from funds raised through the issuance of common shares and units during those periods and from the increase in new equipment purchases and prepaid services at June 30, 2018. Net loss increased during the three-month period ended June 30, 2018 as a result of an increase in stock-based compensation and consulting fees.

Total assets and working capital increased during the three-month periods ended December 31, 2017 and March 31, 2018 as a result of an increase in cash from funds raised through the issuance of common shares and units during those periods. Net loss increased during the three-month periods ended December 31, 2017 and March 31, 2018 as a result of an increase in stock-based compensation and pellet production and operations.

Working capital decreased for the consecutive quarters ended March 31, 2017, June 30, 2017, and September 30, 2017, as the amount of accounts payable and loans payable steadily increased from quarter to quarter as the Company used debt to finance operations.

Net loss for the three months ended September 30, 2017 increased over prior quarters, primarily as a result of the recognition of a listing expense of $988,176 from the completion of the Share Exchange Agreement between the Company and G2BE Canada Inc.

Capital Resources

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, 2018.

Liquidity and Capital Resources

Since our inception, we have incurred operating losses. However, with all of the recent upgrades and equipment purchases to the Rzeczenica facility the Company has increased its monthly pellet production capacity to 3,000 tonnes per month and anticipates near term profitability from operations. With the newly leased facility in Szczypkowice, the Company has an additional 3,000 tonnes of pellet production capacity available and intends to commence operations at this new facility in fiscal Q4. As a result, we will need additional capital to fund our growth objectives for increased operations, which we may obtain from operations revenue, additional financings, debt, convertible debentures or other sources. To date, we have financed our operations primarily through the issuance of our common shares, notes and loans payable, advances from related parties and revenues.

As at December 31, 2018, we had total assets of $2,170,140 compared with $2,160,549 as at June 30, 2018. The increase in assets is attributed to a decrease in cash of $731,230, offset by an increase in property, plant and equipment of $641,882 and increase in other current assets of $98,939. The Company had a cash balance of $35,253 and a working capital deficit of $1,245,459 at December 31, 2018, compared with a cash balance of $766,483 and working capital of $265,684 at June 30, 2018.

Operating Activities: Net cash used in operating activities were $138,791 during the six months ended December 31, 2018 as compared to $728,911 during the six months ended December 31, 2017. Net cash used in operating activities was greater in 2017 because of decreases in cash used for changes in working capital.

Investing Activities: Net cash used in investing activities were $622,570 during the six months ended December 31, 2018 compared to $13,092 for the six months ended December 31, 2017. During the six months ended December 31, 2018, investing activities consisted mainly of $961,892 of property and equipment purchases and $339,322 of property and equipment sales. During the six months ended December 31, 2017, the Company also received $5,459 of cash provided from the completion of the Share Exchange Agreement between the Company and G2BE Canada Inc.

Financing Activities: Net cash provided by financing activities during the six months ended December 31, 2018, was $62,778 as compared to net cash provided by financing activities of $798,815 during the six months ended December 31, 2017. During the six months ended December 31, 2018, the Company received cash proceeds from the exercise of warrants of $77,500 during the six months ended December 31, 2018 compared to $855,050 from the issuance of units during the six months ended December 31, 2017. The Company repaid finance lease obligations of $14,722 during the six months ended December 31, 2018. The Company also repaid loans payable of $30,501 and repaid finance lease obligations of $25,734 during the six months ended December 31, 2017.

The 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 December 31, 2018, the Company had a negative cash flow from operations, had an accumulated deficit of $11,350,078. Furthermore, the Company incurred a net loss of $784,350 during the six months ended December 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 of creditors to pay outstanding amounts on a timely basis.. Management believes that the proceeds from additional equity and debt 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 or debt can be raised on a timely basis or on terms that are acceptable to the Company.

Related Party Transactions

During the six months ended December 31, 2018 and 2017, the Company was engaged in the following related party transactions:

a) As at December 31, 2018, the Company was owed $3,837 (PLN$10,536) (June 30, 2018 – owed $8,201 (PLN$23,330) to the former President of G2BE Production. The amount owed is unsecured, non-interest bearing, and due on demand.

b) As at December 31, 2018, the Company owed $15,204 (June 30, 2018 –$2,384 and $1,696 (PLN$4,826) from the President of the Company and a company controlled by the President of the Company and the wife of the President of the Company. The amount owing is unsecured, non-interest bearing, and due on demand.

c) As at December 31, 2018, the Company owed $55,288 (June 30, 2018 – $Nil) from the former Chief Financial Officer of the Company and a company controlled by the Chief Financial Officer of the Company. The amount owing is unsecured, non-interest bearing, and due on demand and included with trade accounts payable.

d) During the six months ended December 31, 2018, the Company recorded management and consulting fees of $46,500 (2017 - $75,000 and share-based compensation of $44,364) to a company controlled by the President of the Company and the wife of the President of the Company.

e) During the six months ended December 31, 2018, the Company recorded management fees of $75,600 (2017 - $30,000 and share-based compensation of $44,364) to a company controlled by the former Chief Financial Officer of the Company.

f) During the six months ended December 31, 2018, the Company recorded consulting fees of $20,000 (2017 - $nil and share-based compensation of $8,873) to a former Director of the Company.

Contractual Obligations and 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. On December 31, 2018, the Company owed $396,427 (PLN 1,088,546) and entered into a settlement agreement. Pursuant to the agreement the Company agreed to purchase the equipment from the lessor for $257,566 (PLN 707,250) to paid $89,588 (PLDN 246,000) on January 14, 2019 and $167,978 (PLN 461,250) on February 28, 2019. All amounts owed pursuant to the lease agreement will be settled in full following the second payment to the lessor. If the Company fails to make the payments specified in the settlement agreement, the Company must return the equipment to the lessor and any payments made will be applied against amounts owed under the lease agreement.

Subsequent to the period, the Company paid the lessor $89,588 (PLN 246,000) and the final payment was postponed to April 30, 2019.

(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 $5,855 (PLN$16,718) and agreed to pay $2,937 (PLN$8,387) per month. The lease is secured by a cash deposit of $21,014 (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) On October 29, 2018, the Company entered into an agreement to sell wood pellets at a price of EUR 148/MT until March 2019.

(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	2,339
Fiscal year ending June 30, 2020	4,679
Fiscal year ending June 30, 2021	390
Total:	7,408

(g) The Company has entered into a lease for equipment until October 31, 2023. The Company's future minimum lease payments for the existing equipment leases are as follows:

	$
Fiscal year ending June 30, 2019	4,665
Fiscal year ending June 30, 2020	9,331
Fiscal year ending June 30, 2021	9,331
Fiscal year ending June 30, 2022	9,331
Fiscal year ending June 30, 2023	9,331
Fiscal year ending June 30, 2024	3,110
Total:	45,099

(h) The Agreement is currently for a period of two years, whereby the Facility lease payments for the first 6 months are set at PLN 20,000 (or Cdn$7,284) per month, PLN 25,000 (or Cdn$9,04) for the next three months, PLN 28,000 (or Cdn$10,197) for the next three months and PLN 37,000 (or Cdn$13,474) per month for the remainder of the term. All existing equipment including pellet machines, a drum dryer, hammer mill and full production line are included in the Agreement. The Company has entered into a new lease of a facility until October 31, 2020. The Company's future minimum lease payments for the automobile lease is as follows:

	$
Fiscal year ending June 30, 2019	47,343
Fiscal year ending June 30, 2020	147,492
Fiscal year ending June 30, 2021	53,898
Total:	248,733

Off Balance Sheet Arrangements

We do not have any, and during the periods presented we did not have any, off-balance sheet arrangements, other than the contractual obligations and commitments described above.

Critical Accounting Policies and Significant Judgements and Estimates

The preparation of the Company's 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.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in our consolidated financial statements within the next financial year are discussed below:

i) The useful life and recoverability of long-lived assets:

   Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

   The assessment of any impairment of property and equipment, including intangible assets, is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values.

ii) Allowance for doubtful accounts:

   The Company's method of establishing an allowance for doubtful accounts is estimated and recorded based upon management's assessment both of historical data as well as other pertinent information relative to the receivables in question. The information gathered will result in a specific bad debt expense for accounts which management considers being uncollectible and recorded in the period in which this determination is made.

iii) Provisions:

   Management's judgment is required to determine amounts to be recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions. Provisions are the best estimate of the expenditure required to settle the obligation at the reporting date.

iv) Inventory valuation:

   In order to determine whether the inventory is properly stated at the lower of cost or net realizable value, management reviews the amount of inventory on hand, the product life and estimates the time required to sell such inventory taking into account current and expected market conditions and competition. A reserve for inventory, if recorded, primarily consists of all or a portion of the inventory which is not expected to be sold, based on the specific facts and circumstances.

v) Recognition of deferred income tax assets:

   Related deferred income tax assets and deferred income tax liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their respective tax basis based on the enacted or substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and the expected usage of existing tax pools and credits, and accordingly can affect the amount of the deferred income tax assets and liabilities calculated at a point in time. These differences could materially impact earnings.

vi) The valuation of 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.

New Accounting Pronouncements

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.

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:

On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently assessing the impact of the new standard including the optional exemptions available. The recognition of all leases on balance sheet is expected to increase the assets and liabilities on the Consolidated Statement of Financial Position upon adoption. The increase primarily relates to property leases currently accounted for as operating leases. The Company does not intend to early adopt the standard.

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 adopted IFRS 15 and the clarifications in its consolidated financial statements for the annual period beginning on July 1, 2018. Commencing July 1, 2018, the Company adopted IFRS 15 on a cumulative effective basis, with no restatement of the comparative period. The Company principally generates revenue from the production and sale of residential and commercial wood pellets. The Company has reviewed its sources of revenue from the sale of products using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company's revenue from these sources as compared to the previous standards

The Company also adopted new accounting standard IFRS 9 – Financial Instruments, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date. The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 – Financial instruments: recognition and measurement.

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.

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			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, December 31, 2018
Cash	$ 35,253	$ –	$ –	$ 35,253

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.

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

	December 31, 2018	June 30, 2018
Customer A	67%	37%
Customer B	8%	19%
Customer C	8%	20%
Customer D	4%	10%

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

	2018	2017
Customer A	99%	97%

(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 $41,000 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.

(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.

Outstanding Share Data

As at March 1, 2019, we had no preferred shares issued and outstanding.

As at March 1, 2019, we had 92,065,567 common shares issued and outstanding.

As at March 1, 2019, we had 7,815,000 stock options and 31,232,165 warrants exercisable and outstanding.