GREEN 2 BLUE ENERGY CORP.

Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Green 2 Blue Energy Corp.

Opinion

We have audited the consolidated financial statements of Green 2 Blue Energy Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $1,903,674 during the year ended June 30, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by $81,653. In addition, the Company's wholly owned subsidiary, G2BE Production Sp. z o.o., voluntarily filed a bankruptcy petition in Poland on February 6, 2020 and is currently not producing products. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 18, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

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

	June 30, 2019 $	June 30, 2018 $
Assets		
Current assets		
Cash	6,174	766,483
Accounts receivable (Note 5)	382,799	227,263
Inventory (Note 6)	175,611	165,650
Prepaid expenses	88,513	168,862
	653,097	1,328,258
Non-current assets		
Property and equipment (Note 7)	1,331,158	832,291
Total assets	1,984,255	2,160,549
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	1,331,147	847,204
Customer deposits	38,200	-
Loans payable (Note 9)	154,876	120,193
Due to related parties (Note 11)	239,289	12,281
Current portion of obligations under finance lease (Note 10)	302,396	82,896
	2,065,908	1,062,574
Non-current liabilities		
Convertible debenture (Note 15)	275,579	-
Obligations under finance lease (Note 10)	27,530	262,538
	303,109	1,325,112
Total liabilities	2,369,017	1,325,112
Shareholders' equity		
Share capital (Note 12)	10,111,193	10,033,693
Share subscriptions received but not issued (Note 21)	425,738	-
Share-based payment reserve (Note 13)	1,565,869	1,394,112
Deficit	(12,469,687)	(10,567,259)
Accumulated other comprehensive loss	(21,721)	(30,201)
Total Green 2 Blue Energy Corp. shareholders' equity (deficit)	(388,608)	830,345
Non-controlling interest	3,846	5,092
Total shareholders' equity (deficit)	(384,762)	835,437
Total liabilities and shareholders' equity (deficit)	1,984,255	2,160,549

Going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 21)

Approved and authorized for issuance by the Board of Directors on March 18, 2020:

/s/ "Slawomir Smulewicz"

Slawomir Smulewicz, Director

/s/ "Keith Margetson"

Keith Margetson, CFO

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

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

	Year Ended June 30, 2019 $	Year Ended June 30, 2018 $
Sales	1,432,204	896,320
Cost of sales (Notes 6 and 7)	(1,321,538)	(976,462)
Gross profit (loss)	110,666	(80,142)
Operating Expenses		
Consulting and management fees (Note 11)	445,359	3,753,239
Depreciation (Note 7)	45,881	6,110
Foreign exchange loss	-	83,868
General and administrative	1,224,211	1,245,253
Professional fees	104,392	252,879
Share-based payments (Notes 11 and 13)	137,166	1,019,654
Travel	53,353	56,025
Wages and benefits (Note 11)	117,812	48,422
Total operating expenses	2,128,174	6,465,450
Net loss before other income (expense)	(2,017,508)	(6,545,592)
Other income (expense)		
Listing expense (Note 4)	-	(988,176)
Gain from the reversal of accounts payable (Note 8)	44,638	-
Gain from GST recovery	121,928	-
Other income	7,909	11,184
Interest expense (Notes 9, 10 and 15)	(60,641)	(37,953)
Total other income (expense)	113,834	(1,014,945)
Net loss for the year	(1,903,674)	(7,560,537)
Less: net loss attributable to the non-controlling interest	(1,246)	(4,709)
Net loss attributable to shareholders of Green 2 Blue Energy Corp.	(1,902,428)	(7,565,246)
Foreign currency translation	8,480	13,126
Comprehensive loss attributable to shareholders Green 2 Blue Energy Corp.	(1,893,948)	(7,552,120)
Basic and diluted loss attributable to Green 2 Blue Energy Corp.	(0.02)	(0.11)
Weighted average number of common shares outstanding used in the calculation of net loss attributable to Green 2 Blue Energy Corp. (basic and diluted)	91,801,697	67,228,372

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

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

	Common Shares							
	Number	Amount $	Subscriptions received $	Share-based Payment Reserve $	Deficit $	Accumulated Other Comprehensive Income (Loss) $	Non-controlling Interest $	Total Shareholders' Deficit $
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 (Note 4)	6,570,400	657,040	291,120	162,858	–	–	–	1,111,018
Issuance of units for cash (Note 12)	32,283,365	7,064,920	(291,120)	–	–	–	–	6,773,800
Issuance of units for finders' fees (Note 12)	146,800	–	–	–	–	–	–	–
Issuance of warrants for finders' fees (Note 12)	–	(61,994)	–	61,994	–	–	–	–
Share issuance costs	–	(78,900)	–	–	–	–	–	(78,900)
Shares issued on options exercised (Notes 12 and 13)	2,185,000	472,107	–	(216,857)	–	–	–	255,250
Shares issued on warrants exercised (Notes 12 and 14)	3,105,000	320,883	–	(10,383)	–	–	–	310,500
Share-based payment (Note 13)	–	–	–	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
Shares issued on warrants exercised (Notes 12 and 14)	775,000	77,500	–	–	–	–	–	77,500
Shares subscribed but not yet issued (Notes 12 and 21)	–	–	425,738	–	–	–	–	425,738
Share based compensation (Note 12)	–	–	–	137,166	–	–	–	137,166
Convertible debenture option value (Note 15)	–	–	–	34,591	–	–	–	34,591
Net loss for the year	–	–	–	–	(1,902,428)	–	(1,246)	(1,903,674)
Foreign currency translation	–	–	–	–	–	8,480	–	8,480
Balance, June 30, 2019	92,065,567	10,111,193	425,738	1,565,869	(12,469,687)	(21,721)	3,846	(384,762)

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

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

	Year Ended June 30, 2019 $	Year Ended June 30, 2018 $
Operating activities		
Net loss for the year	(1,903,674)	(7,560,537)
Items not affecting cash:		
Depreciation	144,605	110,041
Accrued interest on debenture	45,853	-
Share-based compensation	137,166	1,019,654
Gain from the reversal of accounts payable	(44,638)	-
Gain from the GST recovery	(121,928)	-
Non-cash listing expense	-	988,176
Changes in non-cash operating working capital:		
Accounts receivable	(33,608)	(142,965)
Inventory	(9,961)	(154,676)
Prepaid expenses	80,349	(146,088)
Accounts payable and accrued liabilities	528,581	2,968
Customer deposits	38,200	-
Due to related parties	227,008	29,482
Net cash used in operating activities	(912,047)	(5,853,945)
Investing activities		
Purchase of property and equipment	(597,471)	(584,808)
Net cash used in investing activities	(597,471)	(584,808)
Financing activities		
Repayment of finance lease obligations	(70,416)	(26,228)
Proceeds from loans payable	-	1,758
Shares subscriptions received but not issued	425,738	-
Proceeds from convertible debentures	303,000	-
Proceeds from the exercise of warrants	77,500	310,500
Repayment of loans payable	-	(77,018)
Cash acquired upon recapitalization	-	5,459
Proceeds from common shares issued	-	6,694,900
Proceeds from the exercise of options	-	255,250
Net cash provided by financing activities	735,822	7,164,621
Effects of exchange rate changes on cash	13,387	1,657
Change in cash	(760,309)	727,525
Cash, beginning of year	766,483	38,958
Cash, end of year	6,174	766,483

Supplemental Cash Flow Information (Note 19)

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

1. Corporate Information and Going Concern

Green 2 Blue Energy Corp (the "Company") ("G2B") 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 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.

On February 6, 2020, the Company's wholly owned subsidiary G2BE Production Sp. z o.o.("G2BEP") voluntarily filed a bankruptcy petition with the relevant court in Poland (Note 21). G2BEP is the entity which manufactures products of the Company. The other subsidiaries of the Company are not subject to the bankruptcy.

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, 2019, the Company had a negative cash flow from operations and had an accumulated deficit of $12,469,687. Furthermore, the Company incurred a net loss of $1,903,674 during the year ended June 30, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by $81,653. To obtain future profitability, the Company will need to increase the volume of production and sales. In addition, the Company is reliant on the co-operation of creditors related to amounts owing to them. 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. With the bankruptcy of G2BEP, which holds the Company's only production line for the manufacture of softwood pellets, there can be no assurances that sufficient equity can be raised on a timely basis or on terms that are acceptable to the Company to satisfy existing creditor obligations. These factors, current market conditions, and inability to secure new financings, indicate the existence of material uncertainties that casts significant doubt on the ability of the Company to continue as a going concern. 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 March 18, 2020.

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. (“G2BEC”)	Canada	100% by G2B
G2BE Europe Limited (“G2BEEL”)	Malta	100% by G2B
G2BE Poland Sp. z o.o. ("G2BEPL")	Poland	99% owned by G2BEEL,
		1% owned by G2B
G2BE Production Sp. z o.o. (“G2BEP”)	Poland	80% owned by G2BEPL
		20% owned by G2B
G2BE Zaklad 2 Sp. z. o.o. (“G2BZ2”)	Poland	99% owned by G2BEPL
G2BE Sino Limited	Hong Kong	65% owned by G2BE

(b) All intercompany transactions and balances have been eliminated on consolidation. 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 G2BEC is the Canadian dollar and G2BEEL, G2BEP, G2BEPL and G2BEP’s functional currency is the 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 consider all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Prior year comparative figures

Prior year salaries and wages totalling $40,443 were reclassified out of general and administrative expenses and into wages and benefits to be consistent with the current year presentation.

Prior year cost of production totalling $151,728 were reclassified out of general and administrative expenses and into cost of good sold to be consistent with the current year presentation.

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 the first-in-first-out basis 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.

3. Summary of Significant Accounting Policies (continued)

(d) Property and Equipment (continued)

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 - 10 years straight-line
Leasehold Improvements	10 years straight-line

(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 adopted all of the requirements of IFRS 9 Financial Instruments during the year ended June 30, 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at adoption date. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	FVTPL	FVTPL
Accounts Receivables	Loans and receivables (amortized cost)	Amortized cost
Accounts payable	Other financial liabilities (amortized cost)	Amortized cost
Customer deposits	Other financial liabilities (amortized cost)	Amortized cost
Loan payable	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on July 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(h) Revenue

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) as of July 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The following is the Company’s new accounting policy for revenue from contracts with customers under IFRS 15:

The Company derives revenues from the sales of softwood pallets. There are no services contracts attached to the sales of softwood pallets. All products are sold on standalone basis.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below.

Revenue from the sales of softwood pallets is recognized when the products are shipped out from the Company’s inventory yard, when all significant contractual obligations have been satisfied. The customer has full discretion over the channel and price to distribute the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

3. Summary of Significant Accounting Policies (continued)

(h) Revenue (continued)

Once products are shipped to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(i) 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, 2019, the Company has 39,047,165 (2018 – 38,622,165) potentially dilutive shares outstanding.

(j) Other Comprehensive Income (Loss)

Other 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 profit or loss. For the years ended June 30, 2019 and 2018, other comprehensive income (loss) consists of foreign currency translation gains and losses.

(k) 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.

(l) Recent accounting policies adopted

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements. The following amendments were adopted by the Company for the year ended June 30, 2019:

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments

Recognition and Measurement and all previous versions of IFRS 9. The Company adopted IFRS 9 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of April 1, 2018 and comparatives will not be restated (Note 3 (g)).

IFRS 15, Revenue from Contracts with Customers:

During the year ended 30 June, 2019, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers (Note 3 (h)).

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(m) 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, 2019, or later periods.

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. Based on management's review of its existing contracts, the Company expects to recognize approximately $160,386 of right-of-use assets and $179,020 of non-current lease liabilities as at July 1, 2019.

4 The Transaction

On January 17, 2017, the Company and G2BEC 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, and 31,520,602 common shares were subject to escrow (Note 12). 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 G2BEC. 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 consolidated financial statements present the historical financial information of G2BEC up 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 G2BEC 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**

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)**

(Expressed in Canadian dollars)

4 The Transaction (continued)

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%

5 Accounts Receivable

	June 30, 2019	June 30, 2018
Trade accounts receivable	$ 114,957	$ 54,295
GST and VAT receivable	267,842	172,968
	$ 382,799	**$ 227,263**

The Company does not hold any collateral for the trade accounts receivable.

6 Inventory

	June 30, 2019	June 30, 2018
Raw materials	$ 140,350	$ 8,134
Work in progress	-	60,328
Finished goods	35,261	97,188
	$ 175,611	**$ 165,650**

During the year ended June 30, 2019, the Company recognized $937,832 of inventory in cost of sales (2018 - $824,109).

(Expressed in Canadian dollars)

7 Property and Equipment

	Assets Under Construction $	Forklift $	Furniture and Fixtures $	Technical Equipment and Machinery $	Leasehold Improvements $	Total $
Costs:						
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
Additions	551,516	80,724	6,296	7,999	-	646,535
Reclassification	(423,202)	(229)	2,456	326,634	94,341	-
Balance, June 30, 2019	759,000	88,634	17,369	854,152	94,341	1,813,496
Accumulated depreciation:						
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
Additions	-	10.993	2.729	124.594	6,289	144,605
Balance, June 30, 2019	-	13,016	5,371	479,661	6,289	504,337
Foreign exchange:						
Balance, June 30, 2018	(10,754)	127	3,086	32,603	-	25,062
Balance, June 30, 2019	(11,894)	(104)	934	33,325	(262)	21,999
Carrying amounts:						
Balance, June 30, 2018	619,932	6,243	9,061	197,055	-	832,291
Balance, June 30, 2019	747,106	75,514	12,932	407,816	87,790	1,331,158

During the year ended June 30, 2019, included in cost of sales was amortization of $98,724 (2018 - $103,931), and $49,064 of the addition of property and equipment was from the capitalisation of a financing lease (Notes 10 and 19).

8 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are as follows:

	June 30, 2019	**June 30, 2018**
Accounts payables	1,250,459	798,700
Interest payable (Note 9)	20,119	13,504
Accrued liabilities	60,569	35,000
Total	1,331,147	847,204

During the year ended June 30, 2019, the Company derecognized accounts payable of $44,638 related to prior year transactions as the legal obligations relating to these liabilities had expired.

(Expressed in Canadian dollars)

9 Loans Payable

(a) As at June 30, 2019, the Company owed $1,752 (PLN 5,000) (June 30, 2018 - $1,757 (PLN 5,000)) to an unrelated third party, which is unsecured, bears interest at 10% per annum, and was due on July 31, 2016.

(b) As at June 30, 2019, the Company owed $98,129 (PLN 280,000) (June 30, 2018 - $63,274 (PLN 180,000)), which is secured by 600,000 shares of the Company that were pledged by a shareholder, bears a floating rate of interest calculated at the Wibor 1-year rate plus 3% per annum, and due on July 31, 2018.

(c) As at June 30, 2019, the Company owed $54,995 (PLN 156,923) (June 30, 2018 - $55,162 (PLN 156,923)), which is secured by 600,000 shares of the Company that were pledged by a shareholder, bears a floating rate of interest calculated at the Wibor 1-year rate plus 3% per annum, and due on July 31, 2018.

Accrued interest on these loans as at June 30, 2019 was $20,119 (PLN 57,409) (June 30, 2018 - $13,504 (PLN 38,418)) and is included in Accounts payable (Note 8). Interest expense of $6,675 (PLN18,991) was accrued during the year ended June 30, 2019.

10 Obligations Under Finance Lease

(a) In 2016, the Company entered into an agreement to lease machinery used in the production of pellets and classified the lease as a finance lease. The interest rate underlying the obligation in the finance lease is 26% per annum. The lease was to expire on December 31, 2020. The Company ceased making payments in September 2017. In December, 2018, the Company owed $344,392 (PLN 982,668) 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 be paid in two instalments - $86,213 (PLN 246,000) and $171,353 (PLN 461,250). The Company paid the lessor the first instalment but the final payment remains unpaid. Accordingly, the purchase agreement has been reversed and the original balance less the payment made, or $295,279 (PLN 842,546;) has been recorded as a lease obligation and classified as a current liability. The liability includes interest expense of $37,210 (PLN 105,860) accrued during the year ended June 30, 2019.

(b) In November, 2018, the Company entered into an agreement to lease machinery used in the production of pellets and classified the lease as a finance lease. The interest rate underlying the obligation in the finance lease is 6% per annum. The lease is to expire on October, 2023. Future monthly payments are $748 (PLN 2,135).

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, 2019 (note 17(h)):

Year ending June 30:	**$**
2020	304,258
2021	8,979
2022	8,979
2023	8,979
2024	2,993
Net minimum lease payments	334,188
Residual value	522
Less: amount representing interest payments	(4,786)
Present value of net minimum lease payments	329,926
Less: current portion	(302,396)
Non-current portion	27,530

11 Related Party Transactions and Due to Related Parties

(a) As at June 30, 2019, the Company owed $200,462 (June 30, 2018 - $4,080) to the President of the Company and a company controlled by the President of the Company. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.

(b) As at June 30, 2019, the Company owed $15,351(June 30, 2018 - $nil) to a Director of the parent Company. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.

(c) As at June 30, 2019, the Company owed $10,000 (June 30, 2018 - $nil) to the Chief Financial Officer of the Company. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.

(d) As at June 30, 2019 the Company owed $13,476 (June 30, 2018 - $8,201) to directors Company's subsidiaries. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.

(e) During the year ended June 30, 2019, the Company recorded management fees of $260,592 (2018 - $153,750) and share-based compensation of $nil (2018 - $194,796) to the President of the Company and a company controlled by the President of the Company.

(f) During the year ended June 30, 2019, the Company recorded management fees of $10,000 (2018 - $nil) to a company controlled by the Chief Financial Officer of the Company.

(g) During the year ended June 30, 2019, the Company recorded consulting fees of $48,000 (2018 - $nil) to a Director of the Company.

(h) During the year ended June 30, 2019, the Company recorded management fees of $75,600 (2018 - $123,000) and share-based compensation of $nil (2018 - $176,701) to a company controlled by the former Chief Financial Officer of the Company.

(i) During the year ended June 30, 2019, the Company recorded consulting and management fees of $30,000 (2018 - $50,000) and share-based compensation of $nil (2018 - $92,508) to a former Director of the Company.

(j) During the year ended June 30, 2019, the Company recorded wages and salaries of $100,628 (2018 - $4,500) and share-based compensation of $nil (2018 - $117,074) to Directors of the Company's subsidiaries.

12 Share Capital

Preferred Shares

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

Common Shares

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

Issued during the year ended June 30, 2019:

(a) On August 15, 2018, the Company issued 50,000 shares of common stock upon the exercise of 50,000 share purchase warrants at $0.10 per share for proceeds of $5,000.

(b) On September 27, 2018, the Company issued 37,500 shares of common stock upon the exercise of 37,500 share purchase warrants at $0.10 per share for proceeds of $3,750.

(c) On November 7, 2018, the Company issued 37,500 shares of common stock upon the exercise of 37,500 share purchase warrants at $0.10 per share for proceeds of $3,750.

(d) On November 9, 2018, the Company issued 650,000 shares of common stock upon the exercise of 650,000 share purchase warrants at $0.10 per share for proceeds of $65,000.

(e) As at June 30, 2019, the Company received $425,738 in cash for a private placement which was closed on July 25, 2019. (Note 21).

12 Share Capital (continued)

Issued during the year ended June 30, 2018:

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

12 Share Capital (continued)

(v) 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.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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.

(cc) 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.

(dd) 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.

(ee) 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.

(ff) 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.

(gg) 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.

Escrow Shares

On the closing of the Transaction, there were 31,520,602 common shares (the “Escrow Shares”) held in escrow pursuant to a share exchange agreement (Note 4). The Escrow Shares are to be released as follows: Ten (10%) percent of the Escrow Shares are to be released upon the date of listing on the Exchange and an additional 15% are to be released every 6 months thereafter until all Escrow Shares have been released (36 months following the date of listing on the Exchange). As at June 30, 2019, there were 14,227,058 common shares (the “Escrow Shares”) held in escrow

(Expressed in Canadian dollars)

13 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 the changes during the years ended June 30, 2019 and 2018:

	Year Ended June 30, 2019		Year Ended June 30, 2018	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding – beginning of year	6,615,000	0.15	–	–
Options of the Company at time of recapitalization	–	–	260,000	1.00
Granted	1,400,000	0.14	8,900,000	0.14
Exercised	–	–	(2,185,000)	0.12
Cancelled	(200,000)	0.37	(360,000)	0.04
Outstanding – end of year	7,815,000	0.14	6,615,000	0.15
Exercisable – end of year	7,815,000	0.14	6,615,000	0.15

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2019.

Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Number of Options Exercisable	Remaining Contracted Life (Years)
$ 0.10	November 21, 2022	1,100,000	1,100,000	3.40
$ 0.15	January 25, 2023	1,915,000	1,915,000	3.57
$ 0.15	June 13, 2023	3,000,000	3,000,000	3.96
$ 0.15	June 19, 2023	400,000	400,000	3.97
$ 0.15	July 10, 2023	1,000,000	1,000,000	4.03
$ 0.10	November 26, 2023	400,000	400,000	4.41
		7,815,000	7,815,000	3.81 *

* = Weighted average

During the year ended June 30, 2019, the Company recognized share-based compensation expense of $137,166 (2018 - $1,019,654) in share-based payment reserve.

(Expressed in Canadian dollars)

13 Stock Options (continued)

The weighted average fair value of the options granted during the year ended June 30, 2019, was $0.14 (2018 - $0.11). The assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2019	2018
Risk-free rate	2.07% - 2.30%	1.65%
Dividend yield	nil%	nil%
Expected volatility	137% - 161%	140%
Weighted average expected life of the options (years)	5.00	5.00

14 Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the two years ended June 30, 2019:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	-	-
Warrants of the Company at time of Transaction (Note 4)	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
Exercised	(775 000)	$ 0.10
Balance, June 30, 2019	31,232,165	$ 0.30

The following table summarizes information about warrants outstanding and exercisable at June 30, 2019:

Warrants Outstanding	Exercise Price	Expiry Date
6,865,700	(a) $0.20	November 10, 2019
146,800	(a) $0.20	November 10, 2019
875,000	(a) $0.20	November 24, 2019
2,187,400	(a) $0.20	December 16, 2019
6,555,000	(a) $0.35	March 7, 2020
335,600	(a) $0.35	March 7, 2020
14,266,665	(a) $0.35	October 16, 2019

(a) Expired unexercised, subsequent to year end.

15 Convertible Debentures

The Company received subscriptions on a non-brokered private placement of unsecured convertible debentures, having a term of 36 months accruing interest at 10% per annum, accrued and paid annually. The holders of the debentures have the option to convert into common shares in $5,000 increments at $0.20 per share. The Company may force the conversion of the principal amount the then outstanding debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the Company's outstanding common shares on the Exchange be equal to or greater than $0.40 per common share for any 10 consecutive trading days, subject to such mandatory conversion being permitted under the policies of the Exchange at the time of conversion.

(Expressed in Canadian dollars)

15 Convertible Debentures (continued)

The offering was closed on April 30, 2019, with the Company receiving gross proceeds of $303,000.

The convertible debentures were accounted for as having a financial liability and an equity instrument component. The financial liability, which represents the obligation to pay coupon interest and principal in the future is initially measured at fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

Interest has been accrued at the effective rate of 15% per annum.

Convertible debentures consist of the following:

		Year Ended June 30, 2019
Principal issued	$	303,000
Conversion option (equity component)		(34,591)
Interest accrued		7,170
	$	275,579

16 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, 2019.

17 Commitments

The Company had no significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters other than disclosed below and disclosed in Note 10, *Obligations Under Financial Lease*.

(a) On December 20, 2018, the Company entered into a three-year consulting agreement with a Director of the Company whereby the Director is to receive $8,000 a month. Additionally, the Director is to receive 500,000 stock options, the terms of which have not yet been determined. Pursuant to this agreement, consulting fees of $48,000 were included in the Company's operation as disclosed in Note 11(g).

(b) On April 1, 2019, the Company entered into a consulting agreement with the Company's President and a company controlled by the President. Pursuant to that agreement, the Company is to pay an annual consulting fee of $285,000 payable in monthly instalments of $23,750. The term of the contract is five years and may be extended for two more years. Total fees included in the accounts of the Company are disclosed in Note 11(e).

(Expressed in Canadian dollars)

17 Commitments (continued)

(c) 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. Accordingly, the current payable is $38,304 (PLN 100,613) and the balance owing in the second year is $3,162 (PLN 8,387).

(d) 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.

(e) 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. As at June 30, 2019, the transaction has not closed. (Note 21).

(f) Commencing on January 1, 2017, the Company entered into an agreement to lease property for an indefinite period in exchange for PLN 15,000 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.

(g) Effective November 1, 2018, the Company singed a lease agreement to operate a new pellet production facility located in the township of Szczypkowice, Poland. The agreement is for a period of two years, and requires monthly payments for the first 6 months of $7,009 (PLN 20,000), $8,762 (PLN 25,000) for the next 3 months, $9,813 (PLN 28,000) for the next 3 month and $12,967 (PLN 37,000) for the last year.

(h) Effective November 1, 2018, the Company signed a lease agreement to lease equipment until October 31, 2023. The Company made an initial payment of $13,056 (PLN 37,250) and agreed to pay $748 (PLN 2,135.14) per month. The Company's future minimum lease payments for the existing equipment leases are as follows:

Year ending June 30:		
2020	$	8,979
2021		8,979
2022		8,979
2023		8,979
2024		2,993
	$	38,911

18 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 value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

18 Financial Instruments and Risk Management (continued)

(a) Fair Values (continued)

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying value of accounts receivable, accounts payable, customer deposits, loans payable and due to related parties approximate their fair value due of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(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, 2019	**June 30, 2018**
Customer A	23%	37%
Customer B	22%	19%
Customer C	1%	20%
Customer D	-	10%

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

	2019	**2018**
Customer A	47%	88%
Customer B	16%	-
Customer C	14%	-

(c) Currency Risk

The Company's functional currencies are the Canadian dollar and the 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% strengthening of the Polish zloty against the Canadian dollar would have resulted in an increase of $132,000 in net loss. A 10% weakening in the exchange rate would, on the same basis, have decreased the same amount in 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. Foreign exchange risk is assessed as high.

(Expressed in Canadian dollars)

18 Financial Instruments and Risk Management (continued)

(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 interest expenses accrued for loans payable is subject to movement in interest rates (Note 9). Interest rate risk is assessed as low.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. At June 30, 2019, the Company's cash balance of $6,174 is unable to settle current liabilities of $2,065,908. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Accounts payable, loans payable and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives. Liquidity risk is assessed as high.

19 Supplemental Cash Flow Information

	June 30, 2019	June 30, 2018
Non-cash investing and financing activities:		
Obligation of finance leases paid by loan	$ 35,046	$ -
Property and equipment additions related to the capitalization of a finance lease	49,064	-

20 Contingencies

Civil Claim against the Company

On July 22, 2019, the Company was been served with a notice of civil claim, filed on July 11, 2019 with the Supreme Court of British Columbia, by Plaintiffs under the Class Proceedings Act, RSBC 1996, c 50, naming Green 2 Blue Energy Corp. as a defendant along with 86 additional defendants, in connection with allegations of the inappropriate use of the exemption from prospectus requirements contained in Section 2.12 of National Instrument 45-106 Prospectus Exemptions, and the disclosure records of the Company in respect of distributions of securities to consultants using such exemption. Honourable Madam Justice Adair has been assigned as the Judicial Management Judge in the above noted matter under the Class Proceedings Act. The Judicial Management Conference has been scheduled for Tuesday, March 24, 2020 in Vancouver.

The Company also had a regulatory hearing submission before the B.C. Securities Commission ("BCSC") in respect of the allegation of misuse of the exemption from prospectus requirements contained in section 2.12 of National Instrument 45-106 and connected agreements with consultants of the Company. As at June 30, 2019 and as of the date of approval of the financial statements, no decision has not been received.

The outcome of the civil claim and the BCSC hearing cannot be determined at this point in time and accordingly no amounts have been accrued in the consolidated financial statements related to any potential liability.

(Expressed in Canadian dollars)

21 Subsequent Events

(a) On July 25, 2019, the Company announced the closing of its first tranche of non-brokered private placement of units for gross proceeds of $425,738. Pursuant to the Private Placement, the Company issued 8,514,760 Units at a price of $0.05 per Unit. Each Unit consists of one common share of the Company (a "Share") and one-half (1/2) of one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of $0.10 per share for a period of 18 months from the date of issuance.

(b) On August 25, 2019, G2BEEL entered into an agreement with a third party to obtain a loan of $200,000. The loan is guaranteed by the Company, collateralised by a charge on all the assets of G2BEPL, bears interest at 8% per annum and is due on February 15, 2020. As at January 27, 2020, G2BEEL has received $290,031 under this loan agreement. On February 19, 2020, the loan was in default and the amount of $290,031 plus accrued interest is due and payable.

(c) On December 20, 2019, the Company failed not only to finalise the purchase of the property in Rzeczenica (Note 17(e)) but also to pay its outstanding lease obligations. As a result, the property lease agreement expired. The Company is in a process of negotiating the terms of a new lease agreement and terms of debt repayment under to old lease agreement.

(d) On February 6, 2020, G2BEP, one of the Company's wholly owned subsidiaries, with its registered office in Rzeczenica, Poland, filed a voluntary bankruptcy petition with the relevant court in Poland, pursuant to article 20 clause 1 of the Bankruptcy Act (Poland). The voluntary bankruptcy petition was filed because G2BEP had limited financial resources and was unable settle current liabilities as they became due. No external administrators have been appointed to oversee the voluntary bankruptcy and the Company still maintains full control over G2BEP. G2BEP is negotiating with its creditors with respect to settling outstanding debts. The Company is also seeking to raise additional funds from external investors, either by way of share issuances or through debt in order to assist in the settlement debts of G2BEP. G2BEP has suspended production at its facility until such time as it has sufficient financial resources to continue operations.

22 Income Taxes

The Company operates in Canada, Malta and Poland and is subject to statutory income tax rates of 26%, 35% 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, 2019	**June 30, 2018**
Statutory income tax rate	26%	26%
Income tax recovery at statutory rate	$(494,955)	$(1,965,740)
Tax effect of:		
Permanent differences and other	32,753	495,788
True up of prior year loss provision	(57,445)	–
Difference in tax rates between foreign jurisdictions	77,955	51,401
Change in unrecognized deferred income tax assets	441,692	1,418,551
Income tax provision	$ –	$ –

(Expressed in Canadian dollars)

22 Income Taxes (continued)

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

	June 30, 2019	June 30, 2018
Deferred income tax assets		
Non-capital losses carried forward	2,238,369	1,816,772
Share issuance costs	24,270	32,360
Property and equipment	89,534	61,349
Total deferred income tax assets	2,352,173	1,910,481
Unrecognized deferred income tax assets	(2,352,173)	(1,910,481)
Net deferred income tax assets	–	–

As at June 30, 2019, the Company has non-capital losses carried forward of $9,421,420 (2018 - $7,411,114) in Canada and Poland which are available to offset future years' taxable income. These losses expire from 2035 to 2039.

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

23 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, 2019			
Property and equipment	$ 966	$ 1,330,192	$ 1,331,158

	Canada	Poland	Total
June 30, 2018			
Property and equipment	$ 1,518	$ 830,773	$ 832,291

All of the Company's revenue during the year ended June 30, 2019 and 2018, were generated in Poland.