GREEN 2 BLUE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2019

This discussion and analysis of financial position and results of operations is prepared as at January 27, 2020 and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2019, of Green 2 Blue Energy Corp. ("G2B" or the "Company"). The audited 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 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 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.

Consequently, the Company now has six subsidiaries: (i) G2BE Canada Inc, which was incorporated under the BCBCA on May 30, 2014; (ii) G2BE SINO Limited., which is 65% owned by the Company and incorporated under the laws of Hong Kong on August 20, 2018; (iii) G2BE Europe Limited. (G2BEE), which was incorporated under the laws of Malta on June 11, 2018; (iv) G2BE Poland Sp. z o.o. was incorporated under the laws of Poland on June 28, 2016; (v) G2BE Production Sp. z o.o. was incorporated under the laws of Poland on October 13, 2014; and (vi) G2BE Zaklad 2 Sp. z o.o. 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 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. G2BEP is the entity which manufactures products of the Company and has currently halted its production. The other subsidiaries of the Company are not affected by the bankruptcy.

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.

On April 30, 2019, the Company closed its first tranche of 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 Canadian Securities 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.

On July 25, 2019, the Company completed 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 in the capital 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 in the capital of the Company at a price of $0.10 for a period of 18 months from the date of issuance.

OVERALL PERFORMANCE

Results of Operations for the Year ended June 30, 2019 and 2018

The following table sets forth selected annual information of the Company for the last two fiscal years. This financial information has been prepared using IFRS:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Revenue	$ 1,432,204	$ 896,320
Cost of sales	1,321,538	976,462
Gross profit (loss)	110,666	(80,142)
Operating expenses	2,128,174	6,465,450
Consulting and management fees	445,359	3,753,239
General and administrative	1,224,211	1,245,253
Share-based compensation expense	137,166	1,019,654
Total other operating expenses	321,438	447,304
Net loss for the year	(1,903,674)	(7,560,537)
Basic and diluted loss per share	(0.02)	(0.11)
Total current assets	653,097	1,328,258
Total assets	1,984,255	2,160,549
Total current liabilities	2,065,908	1,062,574
Total liabilities	2,369,017	1,035,112
Cash dividends	-	-

Revenue for the year ended June 30, 2019 was $1,432,204, compared to $896,320 for the year ended June 30, 2018. Cost of sales for year ended June 30, 2019, were $1,321,538 compared to $976,462 for the year ended June 30, 2018. 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 year ended June 30, 2019, were $2,128,174, compared to $6,465,450 for the year ended June 30, 2018. The significant differences in expenditures were as follows:

- Consulting and management fees were $445,359 during the year ended June 30, 2019 and $3,753,239 for the year ended June 30, 2018. Consulting expenses were exceptionally high in the fourth quarter of 2018, a fact that has led to an inquiry by the exchange and a civil suit by a group of investors. All ties have been severed with those involved with these expenses.
- General and administrative expenses were $1,224,211 during the year ended June 30, 2019 compared to $1,245,253 during the year ended June 30, 2018. These results indicate a similar operation from one year to the next
- Share-based compensation expense was $137,166 during the years ended June 30, 2019. 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 $1,019,654 during the year ended June 30, 2018.

During the year ended June 30, 2019, other income consisted of a $44,638 gain from a reversal of accounts previous recorded as payable, $121,928 from a recovery of GST, and $7,909 from other income. $60,641 in interest expense reduced the net other income to $113,834 compared to an expenses of $1,014,945 in 2018. The June 30, 2018 expenses consisted mainly of a $988,176 listing expense.

As a result of the foregoing, the Company recorded a net loss of $1,903,674 for the year ended June 30, 2019, as compared to a net loss of $7,560,537 for the year ended June 30, 2018.

Results of Operations for the Three Months Ended June 30, 2019 and 2018

The following table summarizes the results of our operations for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Revenue	$ 140,117	$ 86,357
Cost of sales	271,441	356,112
Operating expenses	701,640	4,642,750
Consulting and management fees	292,259	3,302,788
General and administrative	221,959	661,360
Share-based compensation expense	-	406,028
Total other income (expense)	190,106	(494,540)
Net loss for the period	(642,858)	(5,407,045)
Basic and diluted loss per share	(0.01)	(0.05)

Revenues for the three months ended June 30, 2019 were $140,117, compared to $86,357 for the three months ended June 30, 2018. Cost of sales for three months ended June, 2019, were $271,441, compared to $356,112 for the three months ended June 30, 2018. The increase in revenue was due to an increase in production and sale of pellets.

Operating expenses for the three months ended June 30, 2019, were $701,640, compared to $4,642,750 for three months ended June 30, 2018. The significant differences in expenditures were as follows:

- Consulting and management fees were $292,259 during the three months ended June 30, 2019, compared to $3,302,788 during the three months ended June 30, 2018. The change in management and consulting expense was described under the yearly commentary above as most of these expenses occurred in this quarter.
- General and administrative expenses were $221,959 during the three months ended June 30, 2019, compared to $661,360 during the three months ended June 30, 2018. This significant decrease reflects a desire to keep expenses to a minimum.
- Share-based compensation expense was $Nil during the three months ended June 30, 2019, as no options were granted in this period. Share-based compensation expense was $406,028 during the three months ended March 31, 2018. This amount was a result of the grant of 3,000,000 stock options granted on June 13, 2018 and 400,000 granted June 19, 2018. Bother were exercisable at $0.15 per share.
- During the three months ended June 30, 2019, other income was $150,427 while interest income was $39,679. During the three months ended June 30, 2018, other expense consisted mainly of a $453,978 in listing expense.

As a result of the foregoing, the Company recorded a net loss $642,858 for the three months ended June 30, 2019 as compared to a net loss of $5,407,045, for the three months ended June 30, 2018.

Quarterly Information

	Jun 30, 2019 $	March 31, 2019 $	December 31, 2018 $	September 30, 2018 $
Total Assets	1,984,255	2,074,944	2,170,140	1,803,653
Working Capital (Deficiency)	(1,412,811)	(1,396,214)	(1,245,459)	(376,880)
Gross Profit (Loss)	(131,324)	46,422	121,304	74,264
Net Loss	(642,858)	(476,466)	(395,623)	(388,727)
Loss per Share	(0.01)	(0.01)	(0.01)	(0.00)

	June 30, 2018 $	March 31, 2018 $	December 31, 2017 $	September 30, 2017 $
Total Assets	2,160,549	2,285,678	1,007,796	529,527
Working Capital (Deficiency)	265,684	788,913	(757,773)	(1,038,255)
Gross Profit (loss)	(269,755)	134,661	33,810	21,142
Net Loss	(5,407,045)	(733,398)	(680,215)	(739,879)
Loss per Share	(0.05)	(0.01)	(0.01)	(0.02)

Total assets and working capital decreased during the three-month period ended June 30, 2019 mainly a result of continuing losses. Net loss was slightly more than the three-month period ended March 31, 2013. Working capital deficiency increased as a result of a significant decrease in cash and an increase in Accounts payable and accrued liabilities. This was offset by increases in accounts receivable, inventory and prepaid expenses.

Total assets and working capital decreased during the three-month period ended March 31, 2019 mainly a result of continuing losses. Net loss was slightly more than the three-month period ended December 31, 2018. Working capital deficiency increased as a result of a decrease in cash, accounts receivable and inventory and an increase in accounts payable, and accrued liabilities.

Total assets and working capital deficiency decreased during the three-month period ended December 31, 2018 mainly a result of a decrease in cash offset by an increase in current and capital assets. Net loss was slightly more than 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. 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.

Operating Activities: Net cash used in operating activities were $912,047 during the year ended June 30, 2019 as compared to $5,853,945 used during the year ended June 30, 2018. Net cash used in operating activities was greater in 2018 because of the significant net loss.

Investing Activities: Net cash used in investing activities were $597,471 during the year ended June 30, 2019 compared to $584,808 used for the year ended June 30, 2018. In both years investing consisted solely of property and equipment net additions.

Financing Activities: Net cash provided by financing activities during the year ended June 30, 2019, was $735,822 as compared to net cash provided by financing activities of $7,164,621 during the year ended June 30, 2018. During the year ended June 30, 2019, the Company received cash proceeds from the exercise of warrants of $77,500, $303,000 from the issue of convertible debt and $425,738 from subscriptions for securities not yet issued. The Company repaid $70,416 of leases. During the year ended June 30, 2018, the Company received $6,694,900 from the issuance of units, $310,500 from warrants exercised and $255,250 from the exercise of options. The Company repaid finance lease obligations of $26,228 and net loans of $75,260.

The 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, 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. 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. These factors, among others, create substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity 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. 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.

Related Party Transactions

During the year ended June 30, 2019 and 2018, the Company was engaged in the following related party transactions:

(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.

Contractual Obligations and Commitments

The Company's commitments and obligations are noted below:

(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).

(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) 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.

(f) Effective November 1, 2018, the Company signed 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.

(g) 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.

(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

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.

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 did not early adopt this pronouncement. The Company expects IFRS 16 will have a significant change to the consolidated financial statements.

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's financial instruments consist of cash accounts receivable, accounts payable and accrued liabilities, loans payable, lease obligation, convertible debentures and amounts payable to related parties. Cash and cash equivalents are classified as amortized cost and are carried at their amortized costs. Accounts payable and accrued liabilities and amounts payable to related parties are classified as other financial liabilities and are carried at their amortized cost. The carrying value of the Company's financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

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.

(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:

	June 30, 2019	June 30, 2018
Customer A	65%	37%
Customer B	11%	19%
Customer C	10%	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	05%	88%
Customer B	26%	-
Customer C	13%	-
Customer D	10%	-

(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 $132,000 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 interest expenses accrued for loans payable is subject to movement in interest rates. 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 $2,065,098. 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.

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Outstanding Share Data

As at March 16, 2020, we had no preferred shares issued and outstanding.

As at March 13, 2020, we had 100,580,327common shares issued and outstanding.

As at March 13, 2020 we had 7,815,000 stock options and no warrants exercisable and outstanding.