GREEN 2 BLUE ENERGY CORP.

Condensed Interim Consolidated Financial Statements

Nine Months Ended - March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated financial statements.

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

	March 31, 2020 $	June 30, 2019 $
Assets		
Current assets		
Cash	1,623	6,174
Accounts receivable (Note 4)	154,352	382,799
Inventory (Note 5)	-	175,611
Prepaid expenses	3,530	88,513
Lease receivables – current (Note 8)	36,177	
	195,682	653,097
Non-current assets		
Property and equipment (Note 6)	-	1,331,158
Lease receivable – non current (Note 8)	12,059	
Total assets	207,741	1,984,255
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	138,885	1,331,147
Customer deposits	-	38,200
Loans payable (Note 8)	20,000	154,876
Due to related parties (Note 9)	421,814	239,289
Lease liability - current (Note 8)	36,177	302,396
	616,876	2,065,908
Non-current liabilities		
Convertible debenture (Note 12)	309,947	275,579
Lease liability – non current (Note 8)	12,059	27,530
	322,006	303,109
Total liabilities	938,882	2,369,017
Shareholders' equity (deficit)		
Share capital (Note 10)	10,536,931	10,111,193
Share subscription received but not issued	-	425,738
Share-based payment reserve	1,565,869	1,565,869
Deficit	(12,833,941)	(12,469,687)
Accumulated other comprehensive loss	-	(21,721)
Total Green 2 Blue Energy Corp. shareholders' equity	(731,141)	388,608
Non-controlling interest	-	3,806
Total shareholders' equity (deficit)	(731,141)	(384,762)
Total liabilities and shareholders' equity (deficit)	207,741	1,984,255

Going concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 19)

Approved and authorized for issuance by the Board of Directors on July 9, 2020:

/s/ "Slawomir Smulewicz"

Slawomir Smulewicz, Director

/s/ "Luis Hadic"

Luis Hadic, Director

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

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

	Three Months Ended March 31, 2020 $	Three Months Ended March 31, 2019 $	Nine Months Ended March 31, 2020 $	Nine Months Ended March 31, 2019 $
Sales	-	594,245	569,854	1,292,087
Cost of sales	(82,796)	(547,823)	(655,861)	(1,050,097)
Gross profit	(82,796)	46,422	(86,007)	241,990
Operating Expenses				
Consulting and management fees (Note 9)	(94,250)	-	(336,101)	(153,100)
Depreciation	(21,228)	(16,419)	(75,512)	(29,423)
Foreign exchange (gain) loss	(8,600)	(104,623)	(8,600)	116
General and administrative	(132,248)	(342,582)	(534,317)	(1,002,252)
Professional fees	(6,385)	(7,881)	(18,073)	(70,003)
Share-based compensation	-	-	-	(126,205)
Travel	-	(16,067)	(19,000)	(39,695)
Wages and benefits	(76,563)	(851)	(127,348)	(5,972)
Total operating expenses	(339,274)	(488,423)	(1,118,951)	(1,426,534)
Net loss before other income (expense)	(422,070)	(442,001)	(1,204,958)	(1,184,544)
Other income (expense)				
Other income	(303,353)	19,651	(47,748)	24,048
Gain in disposition of subsidiaries (Note 2a)	729,170	-	907,674	-
Interest income (expense)	21,562	(54,116)	(23,068)	(100,320)
Total other income (expense)	443,379	(34,465)	836,858	(76,272)
Net income (loss) for the period	25,309	(476,466)	(368,100)	(1,260,816)
Other comprehensive income (loss) ("OCI")				
Cumulative translation adjustment	9,072	71,747	21,721	28,552
Comprehensive income (loss) and net income (loss)	34,381	(404,719)	(346,379)	1,232,264

Net income (loss) attributable to:				
Shareholders of Green 2 Blue Energy Corp.	25,309	(473,845)	(364,254)	(1,256,668)
Non-controlling interest	-	(2,621)	(3,846)	(4,148)
	25,309	(476,466)	(368,100)	(1,260,816)
OCI attributable to:				
Shareholders of Green 2 Blue Energy C	9,072	71,747	21,721	28,552
Non-controlling interest	-	-	-	-
	9,072	71,747	21,721	28,552
Earnings (loss) per share – basic and diluted	0.00	(0.01)	(0.00)	(0.01)
Weighted average common shares outstanding – basic and diluted	100,580,327	92,065,567	99,896,660	91,714,062

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

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

	Common Shares Number	Common Shares Amount $	Share-based Payment Reserve $	Subscription Subscribed $	Deficit $	Accumulated Other Comprehensive Income (Loss) $	Non-controlling Interest $	Total Shareholders' Equity (Deficit) $
Balance, June 30, 2018	91,290,567	10,033,693	1,394,112	–	(10,567,259)	(30,201)	5,092	835,437
Issuance of shares upon exercise of warrants	775,000	77,500	–	–	–	–	–	77,500
Share-based compensation	–	–	126,205	–	–	–	–	126,205
Net loss for the period	–	–	–	–	(1,256,668)	–	(4,148)	(1,260,816)
Foreign currency translation	–	–	–	–	–	28,552	–	28,552
Balance, March 31, 2019	92,065,567	10,111,193	1,520,317	–	(11,823,927)	(1,649)	944	(193,122)

	Common Shares Number	Common Shares Amount $	Share-based Payment Reserve $	Subscription Subscribed $	Deficit $	Accumulated Other Comprehensive Income (Loss) $	Non-controlling Interest $	Total Shareholders' Equity (Deficit) $
Balance, June 30, 2019	92,065,567	10,111,193	1,565,869	425,738	(12,469,687)	(21,721)	3,846	(384,762)
Issuance of shares on private placement	8,514,760	425,738	–	(425,738)	–	–	–	-
Net loss for the period	–	–	–	–	(364,254)	–	(3,846)	(368,100)
Foreign currency translation	–	–	–	–	–	21,721	–	21,721
Balance, March 31, 2020	100,580,327	10,536,931	1,565,869	–	(12,833,941)	-	–	(731,141)

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

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

	Nine Months Ended March 31, 2020 $	Nine Months Ended March 31, 2019 $
Operating activities		
Net loss	(368,100)	(1,260,816)
Items not affecting cash:		
Depreciation	75,512	104,020
Accretion and interest expense	36,108	-
Gain on disposition of subsidiaries	(907,674)	-
Share-based compensation	-	126,205
Changes in non-cash operating working capital:		
Accounts receivable	36,179	34,990
Inventory	123,537	18,940
Prepaid expenses	(45,024)	(6,871)
Accounts payable and accrued liabilities	442,078	478,158
Advance	(38,200)	-
Due to related parties	255,868	50,666
Net cash used in operating activities	(389,716)	(454,708)
Investing activities		
Purchase of property and equipment	(9,000)	(1,103,239)
Cash deconsolidated from disposition of subsidiaries (Note 2)	(3,792)	-
Proceeds from sale of equipment	-	324,993
Net cash used in investing activities	(12,792)	(778,246)
Financing activities		
Repayment of lease liabilities (Note 8)	(9,531)	(15,168)
Proceeds from convertible debenture		270,471
Proceeds from loans	407,488	104,620
Proceeds from warrants exercised	-	77,500
Net cash provided by financing activities	397,957	437,423
Effects of exchange rate changes on cash	-	54,011
Change in cash	(4,551)	(741,520)
Cash, beginning of period	6,174	766,483
Cash, end of period	1,623	24,963

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

1. Corporate Information

Green 2 Blue Energy Corp (the "Company" or "G2BE") 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. ("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 (the "Transaction").

On July 21, 2017, the Company completed the Acquisition with G2BEC by issuing 47,000,002 common shares to the G2BEC shareholders on the basis of one common share for every one G2BEC common share. Upon completion of the Acquisition, the G2BEC shareholders held approximately 87% of the issued and outstanding company shares of the Company. As the shareholders of G2BEC hold a majority of the common shares of the Company and will continue its existing business, G2BEC is considered to have acquired the Company on an accounting basis, and the transaction was accounted for as a reverse takeover.

Accordingly, the Company was 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.

As at March 31, 2020, the Company sold all of its operating subsidiaries (see note 2(a)) and is currently looking for other ventures to build value for its shareholders.

The Company's registered office is located at Suite 1080, 789 West Pender Street, Vancouver BC.

Going concern

These interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2020, the Company had a negative cash flow from operations, had an accumulated deficit of $12,833,941 (June 30, 2019 $12,469,687). Furthermore, the Company incurred a net loss of $368,100 during the nine months ended March 31, 2020 (2019 - $1,260,816). 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 will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity or debt can be raised on a timely basis or on terms that are acceptable to the Company. These factors, however, indicate the existence of a material uncertainty that casts significant doubt on the ability of the Company to continue as a going concern or in its present form. These interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Covid-19

During March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

(Expressed in Canadian dollars)

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These interim consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.
The interim consolidated financial statements were authorized for issue by the Board of Directors on July 9, 2020.

The interim 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	March 31, 2020 Ownership Interest	June 30, 2019 Ownership Interest
G2BE Canada Inc. ("G2BEC")	Canada	N/A – sold (ii)	100% by G2BE
G2BE Europe Limited ("G2BEEL")	Malta	N/A – sold (ii)	100% by G2BE
G2BE Poland Sp. z o.o. ("G2BEPL")	Poland	N/A – sold (ii)	99% owned by G2BEEL, 1% owned by G2BE
G2BE Production Sp. z o.o. ("G2BEP")	Poland	N/A – sold (ii)	80% owned by G2BEPL, 20% owned by G2BE
G2BE Zaklad 2 Sp. z. o. o. (G2BZ2")	Poland	N/A – sold (i)	99% owned by G2BEPL
G2BE Sino Limited ("G2BESL")	Hong Kong	65% owned by G2BE	65% owned by G2BE

During the period ended March 31, 2020, the Company disposed four subsidiaries, resulting the following assets and liabilities deconsolidated from the Company:

	Disposition on March 31, 2020 (ii)	Disposition on Nov. 29, 2019 (i)	TOTAL
Cash and cash equivalents	(1,560)	(2,232)	(3,792)
Accounts receivable and prepaid expenses	(191,586)	(678)	(192,264)
Inventory	(52,074)	-	(52,074)
Prepaid Expense	(81,114)	(48,893)	(130,007)
PPE	(1,021,934)	-	(1,021,934)
Accounts payable and accrued liabilities	1,038,945	100,163	1,139,108
Loan payable	712,492	52,878	765,370
Due to related parties	73,341	-	73,341
Lease liability	329,926	-	329,926
GAIN ON DISPOSITION	**806,436**	**101,238**	**907,674**

i) On November 29, 2019, the Company transferred ownership of G2BZ2 to an arm's length British Columbia private company due to its inability to provide financing to repay its liabilities.

ii) On February 19, 2020, a loan ("Default Loan") at G2BEEL was in default due to the cease trade order at the Company. On March 31, 2019, the Company entered into a Settlement Agreement ("Settlement Agreement") to settle the Default Loan of approximately $301,594 at G2BEEL. Pursuant to the Settlement Agreement, the Company transferred ownership of G2BEEL, G2BEPL, G2BEC, G2BEP to the lender, along with all of its assets and liabilities.

(b) Basis of Measurement

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

The interim consolidated 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, G2BE, G2BEC, G2BEEL and G2BESL is Canadian dollars and G2BEP and G2BEPL 's functional currency is Polish zloty ("PLN$").

(c) Use of Estimates and Judgments

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

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

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

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

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

(d) Restatement

Certain comparative amounts for the prior period have been restated to conform with the basis of presentation in the current year. Such restatement had no effect on shareholders' equity.

3. Accounting Policies Implemented on July 1, 2019

a) New standard IFRS 15 – "Revenue from Contracts with Customers"

Cash and cash equivalents, and trade receivables continue to be recorded at FVTPL. Trade and other payables are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

The Company has adopted new accounting standard IFRS 15 *Revenue from Contracts with Customers*, effective for annual periods beginning on or after January 1, 2018 using the cumulative effective basis, with no restatement of the comparative period. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

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.

b) New standard IFRS 16 - "Leases"

On July 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount. The Company has implemented the following accounting policies permitted under the new standard:

Lease liability, right of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

(Expressed in Canadian dollars)

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it determines whether the sublease is a finance sublease or operating sublease by reference to the right-of-use assets arising from the head lease. A sublease is a finance sublease if substantially all the risk and reward of the related head lease right-of-use asset have been transferred to the sub-lessee. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

For finance sublease, the Company derecognizes the corresponding right-of-use assets and records net investments in the finance sublease and corresponding interest income is recognized in net finance costs. The net investment in the sublease is recognized in lease receivables.

4. Accounts Receivable

	March 31, 2020	June 30, 2019
Trade accounts receivable	$ -	$ 114,957
GST and VAT receivable	154.352	267,842
	$ 154,352	**$ 382,799**

5. Inventory

	March 31, 2020	June 30, 2019
Raw materials	$ -	$ 140,350
Finished goods	-	35,261
	$ -	**$ 175,611**

(Expressed in Canadian dollars)

6. Property and Equipment

	Assets Under Construction $	Forklift $	Furniture and Fixtures $	Technical Equipment and Machinery $	Leasehold Improvements $	Total $
Costs:						
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
Additions	4,057	-	-	4,943	-	9,000
Disposals	(763,057)	(88,634)	(17,369)	(859,095)	(94,341)	(1,822,496)
Balance, March 31, 2020	-	-	-	-	-	-
Accumulated depreciation:						
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
Additions	-	5,558	2,727	55,253	3,317	66,854
Disposals	-	(18,574)	(8,098)	(534,914)	(9,606)	(571,191)
Balance, March 31, 2020	-	-	-	-	-	-
Foreign exchange:						
Balance, June 30, 2019	(11,894)	(104)	934	33,325	(262)	21,999
Balance, March 31, 2020	-	-	-	-	-	-
Carrying amounts:						
Balance, June 30, 2019	747,106	6,243	9,061	197,055	87,790	832,291
Balance, March 31, 2020	-	-	-	-	-	-

During the period ended March 31, 2020, the Company disposed all of its property plant and equipment due to disposition of subsidiaries. Total carry value disposed net of foreign exchange impact was $1,021,934 (Note 2(a)).

7. Loans Payable

a) As at March 31, 2020, the Company owed $nil (June 30, 2019 - $1,752) to an unrelated third party, which is unsecured, bears interest at 10% per annum, and was due on July 31, 2016.

b) As at March 31, 2020, the Company owed $nil (June 30, 2019 - $98,129), 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 March 31, 2020, the Company owed $nil (June 30, 2019 - $54,995), 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.

d) As at March 31, 2020, the Company owed $20,000 (June 30, 2019 - $nil) to an unrelated third party, the Company is currently finalizing the terms of the loan.

(Expressed in Canadian dollars)

8. Obligations Under Finance Lease

a) Equipment lease

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, which was $329,926 as at June 30, 2019.

As at March 31, 2020, the lease liability was $nil due to disposition of subsidiaries (see Note 2(a)).

b) Office lease

	March 31, 2020 $ Carrying Value	March 31, 2020 $ Undiscounted value
Lease receivables (iii)		
Total	51,737	48,236
Current	(13,008)	(12,059)
Long term	38,729	36,177
Lease liability (i)		
Total	51,737	48,236
Current	(13,008)	(12,059)
Long term	38,729	36,177

(i) On adoption of IFRS 16, the Company has recognized lease liability in relations to an office lease arrangement. The IFRS 16 opening adjustment related to lease liability was $72,209 (undiscounted value of $80,339, discount rate used is 10%) as at July 1, 2019. This liability represents the monthly lease payment of $3,177 from July 1, 2019 to July 31, 2020 and $3,252 from July 1, 2020 to July 31, 2021, the end month of the lease.

(ii) A right of use asset ("ROU Asset") of $72,209 was recognized upon recognition of lease liability (see (i). The depreciation recorded for period ended March 31, 2020 was $8,658. The ROU Asset was disposed on October 1, 2019, upon execution of a sublease (see (iii). A gain of $858 was recognized from the disposition.

Period ended	March 31, 2020 $
ROU Asset recognized on July 1, 2019	72,209
Depreciation - prior to disposition (July 1, 2019 to September 30, 2019)	(8,658)
Carrying value of ROU Asset upon disposition	63,551
Sublease receivables recognized – October 1, 2019	64,416
Lease accretion gain, net	**865**

(iii) On October 1, 2019, the Company signed a sublease, and the IFRS 16 opening adjustment related to sublease receivables was $64,416 (undiscounted value of $70,805, discount rate used is 10%) as at October 1, 2019. This receivable represents the monthly lease revenue of $3,177 from July 1, 2019 to July 31, 2020 and $3,252 from July 1, 2020 to July 31, 2021, the end month of the sublease

(Expressed in Canadian dollars)

lease.

(iv) Below is the total operating lease liability commitment reconciliation:

	$
Operating lease commitment as at June 30, 2019	80,339
Incremental borrowing rate	10%
Lease liability at July 1, 2019	**72,209**

(v) As the sublease agreement (see (a) above) is for 100% of the floor space noted in (b), no right of use assets was recognized from the result of the lease and sublease agreement. Upon recognition of both discounted balances of lease liability and lease receivables, the difference between the initial recognized value was recorded as a gain of $43,418.

Period ended	March 31, 2020 $
Accretion expense – lease liability	(5,763)
Accretion gain – lease receivables	4,022
Gain on recognition of lease receivables (ii)	865
Lease accretion gain, net	**876**

(vi) Accretion expense on the lease liabilities for the period ended March 31, 2020 was $5,763 (2019 - $nil); in addition, the Company paid $9,531 for leasing the office space. For the period ended March 31, 2020, the sublease has paid $19,067 directly to Company's lessor.

(vii) Accretion gain on the lease receivables for the period ended March 31, 2020 (2019 - $nil); in addition, the sub-lessee paid $19,067 directly to Company's lessor of the office.

9. Related Party Transactions

a) As at March 31 ,2020, the Company owed $421,814 (June 30, 2019 - $200,462) 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 March 31, 2020, the Company owed $87,351 (June 30, 2019 - $15,351) 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 March 31, 2020, the Company owed $5,500 (June 30, 2019 - $10,000) 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) During the nine months ended March 31, 2020, the Company recorded management fees of $250,600 (2019 - $46,500) to the President of the Company and a company controlled by the President of the Company.

e) During the nine months ended March 31, 2020, the Company recorded management fees of $10,000 (2019 - $75,600) to a company controlled by the Chief Financial Officer of the Company.

f) During the nine months ended March 31, 2020, the Company recorded consulting fees of $72,000 (2019 - $12,000) to a Director of the Company.

(Expressed in Canadian dollars)

10. 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. As at March 31, 2020, there was a total of 100,580,327 common shares outstanding (June 30, 2019 - 92,065,567).

Issued during the nine months ended March 31, 2020:

On July 25, 2019 the Company issued 8,514,760 Units at a price of $0.05 per Unit for a total of $425,738. 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.

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.

11. 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 six months ended March 31, 2020:

	March 31, 2020		June 30, 2019	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding – beginning of year	7,815,000	0.14	6,615,000	0.15
Options of the Company at time of recapitalization	–	–	–	–
Granted	–	–	1,400,000	0.14
Exercised	–	–	–	–

Cancelled	–	–	(200,000)	0.37
Outstanding – end of period	7,815,000	0.14	7,815,000	0.14
Exercisable – end of period	7,815,000	0.14	7,815,000	0.14

The following table summarizes information about stock options outstanding and exercisable as at March 31 2020.

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	3.15
$ 0.15	January 25, 2023	1,915,000	1,915,000	3.32
$ 0.15	June 13, 2023	3,000,000	3,000,000	3.71
$ 0.15	June 19, 2023	400,000	400,000	3.72
$ 0.15	July 10, 2023	1,000,000	1,000,000	3.78
$ 0.10	November 26, 2023	400,000	400,000	4.16
		7,815,000	7,815,000	3.06 *

* = Weighted average

During the nine months ended March 31, 2020, the Company recognized share-based compensation expense of $nil (2019 - $126,205) in share-based payment reserve.

Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	32,007,165	$ 0.27
Exercised	(775 000)	$ 0.10
Balance, June 30, 2019	31,232,165	$ 0.30
Issued	4,257,380	$0.10
Expired	(31,232,165)	$0.23
Balance, March 31, 2020	4,257,380	$0.27

The following table summarizes information about warrants outstanding and exercisable at March 31, 2020:

Warrants Outstanding	Exercise Price	Expiry Date
4,257,380	$0.10	December 24, 2021

12. 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)

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:

	March 31, 2020	June 30, 2019
Principal issued	$ 275,579	$ 303,000
Conversion option (equity component)	-	(34,591)
Accretion expense and interest accrued	34,368	7,170
	$ 309,947	$ 275,579

13. 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.

14. 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 8, *Obligations Under Financial Lease*.

It would be good to have the points below structure in a timely way

(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 (see Note 9(f)). Additionally, the Director is to receive 500,000 stock options, the terms of which have not yet been determined.

(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 (see Note 9(d)).

15. 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:

(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:

	March 31, 2020	**June 30, 2019**
Customer A	-	23%
Customer B	-	22%
Customer C	-	1%
Customer D	-	-

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

	2020	**2019**
Customer A	47%	45%
Customer B	16%	17%
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 $nil in net loss for period ended March 31, 2020 (2019 - $41,000). 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)

(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 7). 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 March 31, 2020, the Company's cash balance of $1,623 is unable to settle current liabilities of $616,876. 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.

16. 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
March 31, 2020			
Property and equipment	$ -	$ -	$ -

All of the Company's revenue during the nine months ended March 31, 2020 and 2019 were generated in Poland.

17. Contingencies

Civil Claim against the Company

On July 22, 2019, the Company 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. This was adjourned to July 7, 2020 because of COVID-19 pandemic. On July 7, 2020, Judicial Management Conference was further adjourned to July 14, 2020 unless by the close of business Friday, July 10, 2020, Plaintiff counsel advise that they would prefer to have a new Case Management judge assigned given Madam Justice Adair's relationship with Mr. Fraser. As at March 31, 2020, and as of the date of approval of the financial statements, no legal decision has been made.

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 March 31, 2020, and as of the date of approval of the financial statements, no decision has been received.

18. Subsequent Events

On May 13, 2020, the Company entered into an engagement agreement (the “Agreement”) with ECMB Capital Partners Inc. (“ECMB”). Under the terms of the Agreement, ECMB will provide advisory services including identifying and negotiating development opportunities for the Company and support for ongoing advancement of the Company.

The Agreement provides for a monthly retainer of $4,000 payable in cash or equity, calculated each three months with the first payment due on signing and a finder’s fee up to 10% of the value of a transaction brought to the Company.

On June 16, 2020, the Company incorporated a wholly owned subsidiary called Arsenal Health Sciences Corporation (“Arsenal”). Arsenal is a newly incorporated entity that was established in anticipation of the possibility of the Company being presented with compelling opportunities outside of the clean technology environmental sector in which it currently operates.