Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

GOOD NATURED PRODUCTS INC.

Three months ended March 31, 2019 and 2018

MANAGEMENT’S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of good natured Products Inc. were prepared by management in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board. The most significant of these accounting principles have been disclosed in the notes to the unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements. The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102 “Continuous Disclosure Requirements”, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited consolidated financial statements have not been reviewed by an auditor.

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 unaudited interim consolidated financial statements for the three month period ended March 31, 2019 in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

GOOD NATURED PRODUCTS INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	March 31 2019	December 31 2018
Assets		
Current assets:		
Cash	$ 1,879,117	$ 2,903,466
Trade and other receivables	633,391	915,800
Inventory	422,098	404,560
Prepaid expenses	179,117	84,806
	3,113,723	4,308,632
Non-current assets:		
Property and equipment, net	223,408	164,940
Other assets, net (note 4)	645,367	597,093
	$ 3,982,498	$ 5,070,665
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,366,060	$ 1,984,542
Credit facility (note 5 (a))	325,000	325,000
Current portion of Loans (note 5 (b))	312,012	194,100
	2,003,072	2,503,642
Loans (note 5 (b, c))	5,408,965	5,316,986
Shareholders' Equity (deficiency):		
Common share capital (note 6 (a))	12,441,108	12,441,108
Shares issuable (note 4)	591,500	591,500
Contributed surplus (note 6 (b, c))	3,648,006	3,607,221
Deficit	(20,110,153)	(19,389,792)
	(3,429,539)	(2,749,963)
	$ 3,982,498	$ 5,070,665

Nature of operations (note 1)
Subsequent events (note 10)

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Jim Zadra" Director *"Salil Munjal"* Director

GOOD NATURED PRODUCTS INC.
Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31 2019	2018
Revenues:		
Product and service revenues	$ 2,056,014	$ 1,118,487
Cost of product and service revenues	(1,283,469)	(747,654)
Gross profit	772,545	370,833
Other (Expenses) Income:		
Research and development	(60,862)	(78,885)
Selling, general, and administrative (note 8)	(1,054,579)	(778,950)
Share-based compensation (note 6 (b))	(19,998)	(59,669)
Depreciation and amortization	(134,383)	(124,209)
Financing costs	(216,122)	(93,612)
Gain on interest free loan (note 5 (b))	13,825	-
	(1,472,119)	(1,135,325)
Net loss before taxes	(699,574)	(764,492)
Deferred income taxes	(20,787)	-
Net loss and comprehensive loss for the period	$ (720,361)	$ (764,492)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average and diluted number of shares	94,350,686	93,507,354

See accompanying notes to condensed consolidated interim financial statements.

GOOD NATURED PRODUCTS INC

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Common share capital	Common shares issuable	Contributed surplus-warrants and conversion features	Contributed surplus-stock options	Deficit	Equity/ (Deficiency)
Balance at December 31, 2017	93,452,354	$ 12,305,160	$ 591,500	$ 2,089,580	$ 900,894	$ (16,283,466)	$ (396,332)
Shares issued for debt settlement (note 6 (a))	150,000	16,500	-	-	-	-	16,500
Conversion feature and warrants of convertible debenture (note 5 (c)) -	-	-	-	672,122	-	-	672,122
Share based compensation	-	-	-	-	59,669	-	59,669
Net loss	-	-	-	-	-	(764,492)	(764,492)
Balance at March 31, 2018	93,602,354	12,321,660	591,500	2,761,702	960,563	(17,047,958)	(412,533)
Shares issued for debt settlement (note 6 (a))	52,500	5,250	-	-	-	-	5,250
Shares issued upon debt conversion (note 5 (c))	133,332	17,560	-	-	-	-	17,560
Shares issued upon warrant exercise (note 5 (c))	562,500	96,638	-	(40,388)	-	-	56,250
Share based compensation	-	-	-	-	106,817	-	106,817
Deferred tax arising from convertible debenture issuance	-	-	-	(181,473)	-	-	(181,473)
Net loss	-	-	-	-	-	(2,341,834)	(2,341,834)
Balance at December 31, 2018	94,350,686	12,441,108	591,500	2,539,841	1,067,380	(19,389,792)	(2,749,963)
Share based compensation	-	-	-	-	19,998	-	19,998
Deferred tax arising from convertible debenture issuance	-	-	-	20,787	-	-	20,787
Net loss	-	-	-	-	-	(720,361)	(720,361)
Balance at March 31, 2019	94,350,686	$ 12,441,108	$ 591,500	$ 2,560,628	$ 1,087,378	$ (20,110,153)	$ (3,429,539)

See accompanying notes to condensed consolidated interim financial statements.

GOOD NATURED PRODUCTS INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31 2019	2018
Cash provided by (used in):		
Operations:		
Net loss	$ (720,361)	$ (764,492)
Items not involving cash:		
Depreciation and amortization	145,912	124,209
Share based compensation (note 6 (b))	19,998	59,669
Gain on interest free loan (note 5 (b))	(13,825)	-
Gain on disposal of property and equipment	-	(9,946)
Accretion on interest free loan and convertible debentures (note 5 (b))	82,808	37,290
Deferred income tax	20,787	-
	(464,681)	(553,270)
Changes in non-cash operating working capital:		
Trade and other receivables	282,409	1,270,069
Inventory	(17,538)	17,389
Prepaid expenses	(94,311)	13,130
Accounts payable and accrued liabilities	(620,658)	(1,442,391)
Cash used in operating activities	(914,779)	(695,073)
Financing:		
Net proceeds from loans (note 5)	50,939	4,704,093
Repayment of loan	(36,000)	-
Payment of capital lease liability	(10,205)	-
Cash provided by financing activities	4,734	4,704,093
Investments:		
Purchase of property and equipment	(68,029)	(7,559)
Other assets	(46,275)	-
Proceeds on disposal of property and equipment	-	23,872
Cash used in financing activities	(114,304)	16,313
Increase (decrease) in cash	(1,024,349)	4,025,333
Cash, beginning of period	2,903,466	797,883
Cash, end of period	$ 1,879,117	$ 4,823,216

Supplementary disclosure with respect to cash flows (note 9).

See accompanying notes to condensed consolidated interim financial statements.

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1. Nature of operations:

Good Natured Products Inc. (the "Company") is a Canadian company incorporated under the British Columbia Business Corporations Act and its common shares are listed on the TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the symbol "GDNP". The Company's head office is located at 814 - 470 Granville Street, Vancouver, British Columbia, Canada. The Company through its wholly owned subsidiaries Good Natured Products (CAD) Inc. and Good Natured Products (US) Inc., is principally engaged in the design, production and distribution of high-performance bioplastics for use in packaging and durable product applications.

The Company has not yet realized profitable operations and has relied on external sources of debt and equity to fund growth to date. The Company has signed a letter of offer for a new debt facility to fund ongoing growth of the Company, and the Company is currently satisfying remaining final closing conditions. The Company expects to close this facility in the next 90 days. As the facility is not yet closed, this may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared using the going concern assumption, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business. These consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018 and have been prepared in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, these unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 23, 2019.

(b) Basis of measurement:

These condensed consolidated financial statements have been prepared on the historical cost basis.

2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

(*i*) Use of estimates and assumptions:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas having estimation uncertainty include the following:

Financial instruments:

The Company enters financial instrument arrangements which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, *Financial Instruments*. Key judgments include whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Inventory provision:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate provision is made.

Share based payments and warrants:

The critical estimates and assumptions underlying the measurement of share-based payments and warrants are set out in notes 6 (b) and 6 (c) respectively.

2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments (continued):

(*ii*) Significant judgments:

The Company applied judgment in determining the functional currency of the Company and assessing the impairment of accounts receivable, equipment and intangible assets. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials, other costs of sales and in which financing is raised.

The directors have applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the three months ended March 31, 2019. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment and as described in note 1, management concluded the going concern basis of accounting is appropriate.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Certain prior year comparative figures have been reclassified to comply with current year presentation.

(a) Basis of consolidation:

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions have been eliminated on consolidation. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

The Company's subsidiaries are as follows:

Good Natured Products (CAD) Inc.	100% owned
Good Natured Products (US) Inc.	100% owned

3. Significant accounting policies (continued):

(b) Research and development:

Research costs are expensed as they are incurred. Product development costs are expensed as incurred except when they meet specific criteria for capitalization. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development to use or sell the asset. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized when commercial production begins. During the three months ended March 31, 2019, $46,275 of development costs have been capitalized (Year ended December 31, 2018 - $93,997).

(c) Revenue recognition:

The Company recognizes the amount of revenue to which is expects to be entitled, for the transfer of promised goods or services to customers under a five-step model: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as a performance obligation is satisfied.

The Company generates revenue primarily through sale of products to various customers.

Recognition of revenue from product development agreements is based on achieving defined milestones or on the performance of work. The cumulative effect of changes to anticipated revenues and anticipated costs for completing a product development agreement are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on a product development agreement, such loss is recognized in its entirety in the period it becomes known.

The Company adopted the new revenue standard (IFRS 15- Revenue from Contracts with Customers), effective January 1, 2018 using the modified retrospective method under which previously presented financial statements are not restated and the cumulative effect of adopting the new revenue standard on contracts in process is recognized by an adjustment to deficit at the effective date. The adoption of the new revenue standard did not change the Company’s recognized revenue in any of its contracts in process.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

(d) New standards and interpretations applied:

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.

On transition to IFRS 16, the Company recorded the remaining three years of payments for its office space as a lease liability of $138,350. Right of use asset was measured at an amount equal to the lease liability and will be amortized straight-line over the remaining 36 months of the lease. Lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at January 1, 2019.

4. Other assets:

	March 31 2019	December 31 20178
Customer lists	$ 1,740,750	$ 1,740,750
Capitalized development	122,312	93,997
Right of use property lease	138,350	-
Accumulated amortization	(1,374,005)	(1,237,654)
Net book value	$ 645,367	$ 597,093

On December 23, 2016, the Company completed the acquisition of Lindar Corporation's ("Lindar") bioplastic book of business, which was subject to finalization of an outsourcing agreement and approval from the TSX Venture Exchange. Lindar will receive 4,225,000 common shares with a value of $591,500 as consideration which has been reflected within shares issuable as at February 28, 2017.

The Shares will be issued from treasury and subject to a 24 -month hold from the signing date of the outsourcing agreement.

On March 21, 2019, the Company finalized the outsourcing agreement with Lindar and received approval from the TSX Venture Exchange to release the common share consideration for the acquisition. The Company originally agreed to issue 4,225,000 shares with a value of $591,500 on December 23, 2016. Pursuant to the agreement finalization and share release approval, the Company agreed to increase the number of shares to 5,382,000.

4. Other assets (continued):

On May 26, 2016, the Company completed the strategic acquisition of the bioplastics division of Ex-Tech Plastics, Inc. ("Ex-Tech"), an Illinois-based manufacturer of extruded plastic sheets. Ex-Tech received 6,650,000 common shares of the Company with a value of $1,130,500 as consideration. The Company also pays Ex-Tech a variable outsourced supply chain and fulfillment fee for operational, marketing, production and back office services, which is a variable expense associated to Company's business volumes.

5. Loans and financing:

(a) Comerica credit facility:

On October 1, 2016, the Company and Comerica Bank entered into a supplemental loan agreement (the "Supplemental Loan Agreement") in which both parties agreed to convert an existing US or Canadian dollar secured loan of CDN$550,000 into a Canadian dollar amortizing term loan (the "Term Loan). The Term Loan is secured by all assets of the Company.

Under terms of the Supplemental Loan Agreement, beginning on October 1, 2016, the principal amount was to be paid in 22 equal monthly instalments of $25,000 plus accrued interest thereon at a rate of Canadian LIBOR plus 2.5%.

Starting on June 28, 2017, the Company and Comerica Bank entered into a series of supplemental loan agreements which permitted a deferment of principal payments through June 3, 2019 when the loan becomes fully due and payable. The Company is required to maintain $325,000 of cash in its accounts for the remaining term of the loan.

The Company incurred interest expense related to the credit facility of $5,169 for the three months ended March 31, 2019 (Year ended December 31, 2018 - $19,809).

As at March 31, 2019, the Company was in compliance with all covenants under the Facility and Supplemental Loan Agreement.

(Expressed in Canadian dollars)

5. Loans and financing (continued):

(b) Western Innovation Initiative loan:

		Loan		Discount		Net Book Value
December 31, 2017	$	1,600,000	$	(321,317)	$	1,278,683
Proceeds		117,832		(31,981)		85,851
Repayment		(144,756)		-		(144,756)
Accretion		-		67,222		67,222
December 31, 2018	$	1,573,076	$	(286,076)	$	1,287,000
Proceeds		50,939		(13,825)		37,114
Repayment		(36,000)		-		(36,000)
Accretion		-		17,625		17,625
March 31, 2019	$	1,588,015	$	(282,276)	$	1,305,739

On June 20, 2014, the Company entered into a Western Innovation Initiative Agreement with Western Economic Diversification Canada ("WINN"). The WINN agreement provides the Company with an interest-free, repayable loan of $1,600,000 from the government. The loan was to be repaid monthly over five years commencing November 1, 2017 in 60 consecutive instalments of $26,667. On October 31, 2017, the Company re-negotiated the repayment term to commence on June 1, 2018 in 53 consecutive monthly instalments of $30,189. On October 4, 2018, the Company re-negotiated the repayment term of the outstanding balance of $1,479,244 to 12 consecutive monthly instalments of $12,000 commencing November 1, 2018, 35 consecutive monthly instalments of $37,050 commencing November 1, 2019 and one final instalment of $38,494, due October 1, 2022.

As the funds were advanced, the Company recognized a gain and discounted the WINN loans by $480,070 (including the $45,806 for the second WINN loan) as a result of the imputed interest benefit received from the interest-free WINN loans.

The total amount of undiscounted future cash flows required to settle the WINN loans at March 31, 2019 was $1,588,015 (December 31, 2018 - $1,573,076). The future cash flows have been discounted using a rate of 8.20%.

During the quarter ending September 30, 2018, the Company entered into a second WINN agreement. The second WINN agreement provides the Company with an interest-free, repayable contribution from the government not to exceed $850,000 towards total project cost estimated at $1,750,000. The project funds are directed at the Company's development and commercialization of its new non-toxic high-heat bioplastic food containers for the grocery, take-out and consumer markets. Such funds are to be repaid monthly over five years commencing October 1, 2021 in 59 consecutive instalments of $14,167 and one final instalment of $14,147 on September 1, 2026. The claim period for shared project costs commenced April 1, 2018.

(Expressed in Canadian dollars)

5. Loans and financing (continued):

(b) Western Innovation Initiative loan (continued):

The Company received loan proceeds of $50,939 under the second WINN agreement during the three months ending March 31, 2019 (Year ending December 31, 2018 - $117,832). The Company recognized a gain and discounted the second WINN loan by $13,825 as a result of the imputed interest benefit received from the interest-free loan using a discount rate of 8.2%.

(c) Convertible debentures:

	Debenture	Equity component	Deferred Finance Cost	Net Book Value
December 31, 2017	$ -	$ -	$ -	$ -
Issuance	5,049,000	(672,122)	(348,414)	4,028,464
Conversion	(20,000)	2,440	-	(17,560)
Accretion / Amortization	-	140,592	72,590	213,182
December 31, 2018	$ 5,029,000	$ (529,090)	$ (275,824)	$ 4,224,086
Accretion / Amortization	-	41,230	21,777	63,007
March 31, 2019	$ 5,029,000	$ (487,860)	$ (254,047)	$ 4,287,093

On February 28, 2018, the Company completed a convertible debenture offering of 5,049 units ("Units") for gross proceeds of $5,049,000. Each Unit is comprised of one $1,000 principal amount unsecured 10% convertible debenture ("Debenture") of the Company due February 28, 2022 (the "Maturity Date") and 1,500 common share purchase warrants. The Company issued a total of 7,573,500 Warrants to the debenture subscribers. Related party participation in the private placement totaled 209 units.

The convertible debentures are considered to be compound financial instruments in which the host debt instruments have been determined to be financial liabilities with an embedded equity instrument. The Company measured the liability component at amortized cost, with the residual amount assigned to the equity components. The Company used an effective interest rate of 13.2% resulting in $672,122 assigned to the conversion feature and subscriber and broker warrants.

Each Debenture is convertible, at the option of the holder, at any time prior to the close of business on the last business day immediately preceding the Maturity Date, into that number of common shares computed on the basis of the principal amount of the Debentures divided by the conversion price of $0.15 per common share. During the year ending December 31, 2018, $20,000 of Debentures were converted into 133,332 common shares pursuant to the conversion option.

Each Warrant entitles the holder to purchase one common share of the Company for a period of 48 months after February 28, 2018 at a price of $0.10 per Warrant (subject to adjustment in certain circumstances). During the year ending December 31, 2018, the Company issued 562,500 common shares for gross proceeds of $56,250 pursuant to the exercise of 562,500 Warrants.

(Expressed in Canadian dollars)

5. Loans and financing (continued):

(c) Convertible debentures (continued):

The Debentures are subject to an acceleration right exercisable by the Company, which will force the conversion of the Debentures into common shares at the $0.15 conversion price. This right is exercisable if the Company's common shares trade at or above a volume-weighted average trade price of $0.15 on the TSX Venture Exchange ("TSX-V") on any 20 consecutive trading days and on cumulative 20-day trading volume of at least 1,000,000 common shares. If the acceleration right is exercised by the Company, the conversion of the Debentures into common shares will occur immediately.

The Warrants are subject to an acceleration right if on any 20 consecutive or non-consecutive trading days following the closing date, the Company's common shares trade at greater than a volume-weighted average trading price of $0.20 on the TSX-V.

The interest on the Debentures is payable in cash on a semi-annual basis in arrears (February 28 and August 28). An amount sufficient to satisfy the interest payments for the first year has been set aside and held in escrow by the Company from the proceeds raised.

Pursuant to the offering, the Company paid cash commission, legal and other related fees totaling $348,414. The Company also issued non-transferable broker warrants to acquire 2,239,867 common shares from treasury at a price of $0.15 per common share, exercisable at any time within the 36-month period following February 28, 2018. The fair value at grant date of the broker warrants issued was $128,344 based on the Black-Scholes pricing model and was recorded as a Debenture discount. Expected volatility was determined based on comparable publicly listed companies.

(d) Lease liability:

On transition to IFRS 16, the Company recorded the remaining three years of lease payments for its office space as a lease liability of $138,350. Lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at January 1, 2019.

(e) Undiscounted repayment commitment:

The required undiscounted annual repayments of the Company's long-term debt follow:

2019 (remaining 9 months of 2019)	$ 189,719
2020	490,941
2021	503,223
2022	5,434,700
2023 and beyond	126,576
	$ 6,745,159

(Expressed in Canadian dollars)

6. Share capital and share-based payments:

(a) Common and preferred share capital:

Authorized and issued:
Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value, issuable in series.

As at March 31, 2019, 94,350,686 common shares were issued and outstanding (December 31, 2018 - 94,350,686).

Shares for debt settlement:

During the year ended December 31, 2018, the Company issued 150,000 shares at a price of $0.11 per share and 52,500 shares at a price of $0.10 to settle outstanding indebtedness of $21,750.

(b) Share options:

The change in the number of the Company's stock options follows:

	Options	Weighted average exercise price
Outstanding as at December 31, 2017	7,188,794	$ 0.18
Issuance of options	560,000	0.11
Forfeiture of options	(845,000)	0.15
Outstanding as at December 31, 2018	6,903,794	0.18
Issuance of options	100,000	0.10
Outstanding as at March 31, 2019	7,003,794	$ 0.18
Exercisable as at March 31, 2019	5,051,076	$ 0.19

(Expressed in Canadian dollars)

6. Share capital and share-based payments (continued):

(b) Share options (continued):

Information about the Company's stock options outstanding and exercisable as at March 31, 2019 follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (in years)
April 2, 2020	500,000	500,000	$ 0.25	1.01
January 1, 2023	46,630	46,630	0.25	3.76
October 11, 2023	11,658	11,658	0.25	4.53
September 2, 2024	29,144	29,144	0.25	5.43
September 17, 2024	142,857	142,857	0.18	5.47
April 2, 2025	104,918	104,918	0.25	6.01
April 20, 2025	61,924	60,632	0.28	6.06
July 16, 2025	1,100,000	1,050,064	0.20	6.30
August 3, 2025	350,000	350,000	0.19	6.35
February 25, 2026	1,305,000	1,242,000	0.20	6.91
May 5, 2027	2,736,663	1,254,319	0.15	8.10
July 11, 2028	100,000	100,000	0.15	9.29
November 29, 2023	415,000	129,688	0.10	4.67
January 10, 2024	100,000	29,166	0.10	4.78
	7,003,794	5,051,076	$ 0.18	6.62

The fair values of options granted were measured based on the Black-Scholes pricing model. Expected volatility was determined based on comparable publicly listed companies. The inputs used in the measurement of the fair values at the modification and grant dates follows:

	Three months ended March 31 2019	Year ended December 31 2018
Risk-free interest rate	2.16%	1.53% – 2.16%
Dividend yield	0.00%	0.00%
Expected life (years)	2	2 -10
Volatility	126.8%	72.3 – 126.8%
Forfeiture rate	0.0%	0.0%
Fair value at grant date	$0.10	$0.10 - $0.15

(Expressed in Canadian dollars)

6. Share capital and share-based payments (continued):

(c) Share purchase warrants:

On February 28, 2018, the Company completed a convertible debenture offering of 5,049 units ("Units") for gross proceeds of $5,049,000. Each Unit is comprised of one $1,000 principal amount unsecured 10% convertible debenture ("Debenture") of the Company due February 28, 2022 (the "Maturity Date") and 1,500 common share purchase warrants. The Company issued a total of 7,573,500 Warrants to the debenture subscribers (Note 5(c)).

Each Warrant entitles the holder thereof to purchase one common share of the Company for a period of 48 months after February 28, 2018 at a price of $0.10 per Warrant (subject to adjustment in certain circumstances). During the year ending December 31, 2018, the Company issued 562,500 common shares for gross proceeds of $56,250 pursuant to the exercise of 562,500 Warrants.

The Warrants are subject to an acceleration right if on any 20 consecutive or non-consecutive trading days following the closing date, the Company's common shares trade at greater than a volume-weighted average trading price of $0.20 on the TSX-V.

The Company also issued non-transferable broker warrants to acquire 2,239,867 common shares from treasury at a price of $0.15 per common share, exercisable at any time within the 36-month period following February 28, 2018. The fair value at grant date of the broker warrants issued was $128,344 based on the Black-Scholes pricing model and was recorded as a Debenture discount. Expected volatility was determined based on comparable publicly listed companies.

The following table summarizes information about the Company's share purchase warrants:

	Warrants	Weighted average exercise price
Outstanding at December 31, 2017	46,335,221	$ 0.21
Issuance of warrants	7,573,500	0.10
Issuance of warrants to brokers	2,239,867	0.15
Exercise of warrants	(562,500)	0.10
Expiry of warrants	(25,711,123)	0.25
Outstanding at December 31, 2018 and March 31, 2019	29,874,965	$ 0.14

(Expressed in Canadian dollars)

6. Share capital and share-based payments (continued):

(c) Share purchase warrants (continued):

Expiry date	Warrants outstanding		Exercise price	Weighted average remaining contractual life (in years)
October 20, 2021	52,231	$	0.19	2.56
May 5, 2019	1,892,197		0.20	0.09
May 5, 2019	44,000		0.15	0.09
July 31, 2019	5,000,000		0.15	0.33
July 31, 2019	316,400		0.10	0.33
August 28, 2019	10,538,500		0.15	0.41
August 28, 2019	638,195		0.10	0.41
October 5, 2019	372,500		0.15	0.51
October 5, 2019	26,075		0.10	0.51
November 20, 2019	1,630,000		0.15	0.64
November 20, 2019	114,000		0.10	0.64
February 28, 2021	2,239,867		0.15	1.91
February 28, 2022	7,011,000		0.10	2.91
	29,874,965	$	0.14	1.09

The fair value of warrants granted was measured based on the Black-Scholes pricing model. Expected volatility was determined based on comparable publicly listed companies. The inputs used in the measurement of the fair value of the most recent grant follows:

	Year ended December 31, 2018
Risk-free interest rate	1.25%
Dividend yield	0.0%
Expected life (years)	3 to 4
Volatility	106%
Forfeiture rate	0.0%
Share price at grant date	$0.10

(Expressed in Canadian dollars)

7. Segmented information:

The Company carries on business in the plastics and packaging industry and all sales and costs are made in this segment. The vast majority of the Company's operations are performed within Canada.

Sales in the three months ended March 31, 2019 from the top four customers amounted to $1,595,164 which represented 78% of total revenue. Sales in the year ended December 31, 2018 from the top four customers amounted to $4,346,755 which represented 85% of total revenue.

8. Selling, general, and administrative:

The following is a breakdown of the Company's selling, general and administrative expenses.

	Three months ended March 31 2019	2018
Salaries	$ 338,327	$ 272,513
Other selling, general and administrative expenses	159,673	178,701
Outsourced supply chain, freight costs, and fulfillment	556,579	327,736
	$ 1,054,579	$ 778,950

9. Supplementary cash flow information:

	Three months ended March 31 2019	2018
Non-cash financing activities:		
Shares issued for settlement of accounts payable	$ -	$ 16,500

10. Subsequent events:

On March 21, 2019, the Company finalized the outsourcing agreement with Lindar (note 4) and received approval from the TSX Venture Exchange to release the common share consideration for the acquisition. The Company originally agreed to issue 4,225,000 shares with a value of $591,500 on December 23, 2016. Pursuant to the agreement finalization and share release approval, the Company agreed to increase the number of shares to 5,382,000. These shares were issued on April 30, 2019.