Consolidated Financial Statements
(Expressed in Canadian dollars)

GOOD NATURED PRODUCTS INC.

Years ended December 31, 2020 and 2019

MANAGEMENT’S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of good natured Products Inc. were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The most significant of these accounting policies have been disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting policies 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 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 consolidated financial statements and (ii) the 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The 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 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 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.

Independent Auditor's Report

To the Shareholders and the Board of Directors of
good natured Products Inc.

Opinion

We have audited the consolidated financial statements of good natured Products Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

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

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 30, 2021

GOOD NATURED PRODUCTS INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31 2020	December 31 2019
Assets		
Current assets:		
Cash and cash equivalents (note 3(c))	$ 8,113,599	$ 8,454,882
Trade and other receivables (note 14(e))	5,557,279	682,622
Inventory (note 5)	6,293,929	1,922,955
Prepaid expenses	671,391	172,141
	20,636,198	11,232,600
Non-current assets:		
Property and equipment (note 6)	15,416,631	373,145
Customer relationships (note 7)	5,708,546	-
Intangible assets (note 7)	3,388,853	714,019
Goodwill (note 7)	6,824,491	-
	$ 51,974,719	$12,319,764
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,882,166	$ 3,039,288
Credit line (note 8)	3,073,200	649,500
Current portion of long-term debt (note 9)	3,128,836	196,341
	15,084,202	3,885,129
Non-Current liabilities:		
Long-term debt (note 9)	29,702,663	13,076,211
Contingent consideration liability (note 4)	1,755,674	-
Deferred income tax liabilities (note 12)	3,620,000	-
	35,078,337	13,076,211
Shareholders’ Equity (Deficiency):		
Common share capital	28,883,084	13,932,452
Contributed surplus	2,735,877	4,307,870
Foreign currency translation reserve	243,804	(18,285)
Deficit	(30,050,585)	(22,863,613)
	1,812,180	(4,641,576)
	$ 51,974,719	$12,319,764

Subsequent events (note 19)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“Jim Zadra” Director   *“Michael Thomson”* Director

GOOD NATURED PRODUCTS INC.

Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31 2020	2019
Product revenue	$ 16,713,190	$ 10,098,675
Cost of product revenue	(10,476,972)	(6,625,010)
Gross profit	6,236,218	3,473,665
Other (Expenses) Income:		
Product development (note 16)	(433,624)	(461,974)
Selling, general, and administrative (note 17)	(8,670,729)	(4,655,198)
Share-based compensation (note 10 (b))	(262,480)	(59,904)
Depreciation and amortization	(483,714)	(325,695)
Financing costs	(3,440,325)	(1,767,921)
Foreign exchange gain	117,614	-
Loss on debenture redemption and conversion	(413,055)	-
Gain on interest free loan (note 9 (f))	82,663	46,144
Net loss before taxes	(7,267,432)	(3,750,883)
Deferred income tax recovery (note 12)	80,460	277,062
Net loss for the year	$ (7,186,972)	$ (3,473,821)
Other comprehensive gain (loss), net of tax		
Items that may be reclassified subsequently to profit or loss:		
Unrealized currency loss on translation of foreign operations	262,089	(18,285)
Other comprehensive loss for the year	$ (6,924,883)	$ (3,492,106)
Basic and diluted loss per share	$ (0.06)	$ (0.03)
Weighted average shares outstanding – basic and diluted	124,699,765	99,750,181

See accompanying notes to consolidated financial statements.

GOOD NATURED PRODUCTS INC

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

	Number of common shares	Common share capital	Common shares issuable	Contributed surplus-warrants and conversion features	Contributed surplus-stock options	Foreign currency translation reserve	Deficit	Equity/ (Deficiency)
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)
Shares issued to Lindar (note 10(a))	5,382,000	591,500	(591,500)	-	-	-	-	-
Shares issued upon warrant exercise	3,231,857	508,173	-	(108,347)	-	-	-	399,826
Warrants issued upon amended terms (note 9 (d))	-	-	-	340,154	-	-	-	340,154
Share issued upon debtenture conversion (note 9 (c))	2,833,330	425,000	-	(33,329)	-	-	-	391,671
Conversion feature and warrants of convertible debenture (note 9 (c))	-	-	-	686,000	-	-	-	686,000
Share based compensation	-	-	-	-	59,904	-	-	59,904
Deferred tax arising from convertible debenture issuance	-	-	-	(277,062)	-	-	-	(277,062)
Net comprehensive loss	-	-	-	-	-	(18,285)	(3,473,821)	(3,492,106)
Balance at December 31, 2019	105,797,873	13,965,781	-	3,147,257	1,127,284	(18,285)	(22,863,613)	(4,641,576)
Issuance of common shares, net (note 10)	32,541,836	6,195,061	-	428,172	-	-	-	6,623,233
Shares issued upon warrant exercise	20,262,806	4,117,982	-	(1,667,138)	-	-	-	2,450,844
Share issued upon debenture conversion (note 10(a))	8,105,762	1,739,000	-	(327,394)	-	-	-	1,411,606
Share issued upon option exercise (note 10(a))	1,110,000	368,993	-	-	(150,368)	-	-	218,625
Conversion feature and warrants of convertible debenture (note 9 (c))	-	-	-	298,000	-	-	-	298,000
Convertible debenture redemption (note 9(c))	-	-	-	(272,760)	-	-	-	(272,760)
Share issued upon debt conversion (note 9(d))	6,666,667	1,000,000	-	(29,196)	-	-	-	970,804
Share issued upon mortgage funding (note 9(b))	3,000,000	450,000	-	-	-	-	-	450,000
Share issued as acquisition consideration (note 10(a))	1,773,334	1,046,267	-	-	-	-	-	1,046,267
Share based compensation	-	-	-	-	262,480	-	-	262,480
Deferred tax arising from convertible debenture issuance	-	-	-	(80,460)	-	-	-	(80,460)
Net comprehensive loss	-	-	-	-	-	262,089	(7,186,972)	(6,924,883)
Balance at December 31, 2020	179,258,278	$ 28,883,084	$ -	$ 1,496,481	$ 1,239,396	$ 243,804	$ (30,050,585)	$ 1,812,180

See accompanying notes to consolidated financial statements.

GOOD NATURED PRODUCTS INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31 2020	2019
Cash provided by (used in):		
Operations:		
Net loss	$ (7,186,972)	$ (3,473,821)
Items not involving cash:		
Depreciation and amortization	515,489	325,695
Unrealized foreign exchange loss	(111,974)	141,561
Amortization of right of use assets	60,534	46,116
Share based compensation (note 10 (b))	262,480	59,904
Loss on debenture redemption and conversion (note 9 (c))	413,055	-
Gain on interest free loan (note 9 (e))	(82,663)	(46,144)
Financing costs	3,440,325	1,767,921
Deferred income tax recovery	(80,460)	(277,062)
	(2,770,186)	(1,455,830)
Changes in non-cash operating working capital:		
Trade and other receivables	(1,213,063)	233,178
Inventory	(3,458,276)	(1,518,395)
Prepaid expenses	39,235	(87,335)
Accounts payable and accrued liabilities	3,433,069	1,054,746
Finance costs paid	(2,706,792)	(1,313,786)
Cash used in operating activities	(6,676,013)	(3,087,422)
Financing:		
Issuance of common shares, net of costs (note 10(a))	6,623,233	-
Exercise of warrants for common shares (note 10(c))	2,450,844	399,826
Exercise of options for common shares (note 10(b))	218,625	-
Credit Line advance (note 8)	2,423,700	324,500
Proceeds from long-term debt, net of costs (note 9)	21,020,965	8,861,824
Repayment of long-term debt (note 9)	(4,543,117)	(228,874)
Cash provided by financing activities	28,194,250	9,357,276
Investments:		
Business acquisitions, net of cash acquired (note 4)	(21,075,600)	-
Purchase of equipment	(726,663)	(257,587)
Other assets	(203,858)	(301,005)
Cash used in investing activities	(22,006,121)	(558,592)
Effect of foreign exchange rate changes on cash	146,601	(159,846)
(Decrease) increase in cash	(341,283)	5,551,416
Cash and cash equivalents, beginning of year	8,454,882	2,903,466
Cash and cash equivalents, end of year	$ 8,113,599	$ 8,454,882

Supplementary disclosure with respect to cash flows (note 18).

See accompanying notes to consolidated financial statements.

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 is principally engaged in the design, production and distribution of high-performance bioplastics for use in packaging and durable product applications.

During the year ended December 31, 2020, the COVID-19 pandemic resulted in a dramatic slowdown in the global economy. The Company’s operations are deemed an essential business as defined by the US Department of Homeland Security and the Canadian provinces where it manufactures food packaging. The Company’s packaging manufacturers have maintained operations since the start of the pandemic and have implemented enhanced sanitary measures to ensure their ability to continue to produce and deliver products.

None of the Company’s supply chain partners have experienced any shutdowns or disruptions to their work. The Company’s supply chain is virtually all North American based. Thus far, there have been no disruptions to raw material or other related products/services. The Company monitors all of its relationships closely and continues to look for alternate supply should issues arise in the future.

There can be no assurance that the Company’s facilities and manufacturing partners that are currently operational will continue to remain operational for the duration of the COVID-19 pandemic.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2021.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for items that are measured at fair value consisting of the contingent consideration liability (note 4).

2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

(*i*) Significant estimates:

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:

Fair value estimates associated with business combinations (note 4)

In business combinations, the fair value of the assets acquired and liabilities assumed, the fair value of consideration transferred including contingent consideration and the resulting goodwill, if any, requires that management make certain judgments and estimates taking into account information available at the time of acquisition about future events, it generally requires time to obtain the information necessary to identify and measure the these items as of the acquisition date:

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the allowable measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The Company may also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

2. Basis of presentation (continued):

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

(*i*) Significant estimates (continued):

As at December 31, 2020, the purchase consideration for the acquisition of IPF Holdings Inc. dba Integrated Packaging Films ("IPF") has been allocated on a preliminary basis based on management's best estimates at the time these consolidated financial statements were prepared. The Company is continuing its review to determine the fair value of acquired intangible assets and manufacturing and other equipment during the allowable measurement period, which shall not exceed one year from the acquisition date. Any future changes to the purchase price allocation may result in adjustments to recognized assets, acquired liabilities and/or goodwill.

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. As at December 31, 2020 and 2019, no inventory provisions were recorded.

Income taxes and recoverability of deferred tax assets:

In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are

2. Basis of presentation (continued):

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

(i) Significant estimates (continued):

within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Depreciation and amortization rates for intangible assets, property and equipment:

Depreciation and amortization expenses are allocated based on estimated asset lives and associated depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement of net loss and comprehensive loss prospectively.

Share based payments and warrants:

The critical estimates and assumptions underlying the measurement of share-based payments and warrants are set out in notes 10 (b) and 10 (c) respectively.

(ii) Significant judgments:

Determination of a business

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

In 2020, the Company concluded that Shepherd Thermoforming and Packaging Inc. ("Shepherd") and IPF met the definition of a business and, accordingly, the acquisitions were accounted for as a business combination (note 4).

(Expressed in Canadian dollars)

2. Basis of presentation (continued):

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

(ii) Significant judgments (continued):

Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The Company has determined that its functional currency is the Canadian dollar and that of its subsidiaries is the Canadian dollar with the exception of good natured Products (CAD) Inc. and good natured Products (US) Inc. which is the United States dollar. The determination of functional currency may require certain judgements to determine the primary economic environment and is determined based on the currency that mainly influences sales prices, labour, materials, other costs of sales and in which financing is raised. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment. Effective January 1, 2020, the Company changed the functional currency of good natured Products (CAD) Inc. from the Canadian dollar to the United States dollar.

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.

(a) Basis of consolidation:

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. All subsidiaries are 100% owned.

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
Shepherd Thermoforming & Packaging Inc.[1]	100% owned
Good Natured Real Estate Holdings (Ontario) Inc. [1]	100% owned
Integrated Packaging Films GP Inc. [1]	100% owned
Mechar Amco Ltd. [1]	100% owned
IPF Holdings Inc. [1]	100% owned

[1] Acquired or incorporated during the year ended December 31, 2020.

3. Significant accounting policies (continued):

(b) Foreign currency translation:

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The presentation currency of these financial statements is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing the consolidated financial statements, the assets and liabilities are first expressed in the entity's respective functional currency and translated into the presentation currency using exchange rates prevailing at the reporting date, while the income and expense items are translated at the average exchange rates for the period. Translation differences are recognized in other comprehensive loss and recorded in the "foreign currency translation reserve" included in equity.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments* with the corresponding gain or loss recognized in profit or loss.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. Goodwill may also arise as a result of the requirement under IFRS to record a deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

3. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash at banks and short-term deposits with a maturity of three months or less at the date of purchase. Cash and cash equivalents at December 31, 2020 were $8,113,599 (December 31, 2019 – $8,454,882). Included in cash and cash equivalents at December 31, 2020 is $318,300 ($USD 250,000) of restricted cash (December 31, 2019 - $nil).

(e) Inventory:

Inventory is carried at the lower of cost and net realizable value. Inventory cost is determined on the basis of first-in, first-out ("FIFO") for finished goods and weighted average for raw material. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(f) Impairment:

(*i*) Financial assets:

The Company applies the simplified approach in determining expected credit losses, which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

(*ii*) Non-financial assets:

Non-financial assets are reviewed for impairment at each reporting date to determine whether events or changes in circumstances indicate that an asset's carrying amount may be less than its recoverable amount. When there is any indication of impairment, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, non-financial assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

3. Significant accounting policies (continued):

(g) Impairment:

(*ii*) Non-financial assets (continued):

An impairment loss is recognized if the carrying value of an asset, CGU or group of CGU's exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are not subsequently reversed

(h) Property and equipment:

Property and equipment are recorded at cost when acquired. Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment. Depreciation is charged using the following methods and rates:

Asset	Basis	Rate
Building	Straight line	30 years
Manufacturing equipment	Straight line	5-20 years
Furniture and office equipment	Straight line	3-5 years

(i) Right of use assets

The right-of-use assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of- use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3. Significant accounting policies (continued):

(j) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recorded at its estimated fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are reflected in the income statement in the period in which the expenditure is incurred.

Intangible assets consist of customer relationships acquired, brand acquired, proprietary formulas and formulations acquired, capitalized development costs and other intangibles. Amortization is recognized in profit or loss on finite life intangible assets using the following methods and rates:

Intangible asset	Basis	Rate
Customer relationship	Straight line	12 years
Proprietary formulas and formulations	Straight line	10 years
Other intangibles	Straight line	3-5 years

Brand, an indefinite life intangible asset, and goodwill are not amortized (note 7).

(k) Product 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 year ended December 31, 2020, $134,811 of development costs have been capitalized (Year ended December 31, 2019 - $175,644).

(l) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

3. Significant accounting policies (continued):

(m) Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances indicate an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The Company's goodwill is allocated to the plastics and packaging manufacturing and distribution group of CGUs, which represents the lowest level at which management monitors goodwill. The allocation of goodwill to the CGUs requires the use of judgment.

(n) Share-based payment transactions:

Share-based compensation arrangements are measured at fair value using the Black-Scholes option pricing model and the fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. 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 options granted to non-employees, the share-based compensation cost is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. For non-employees if the fair value cannot be estimated reliably, then the Company will measure the fair value by reference to the fair value of the equity instruments granted using the Black-Scholes option pricing model. The share-based compensation is measured at fair value at each vesting date and is recorded when goods or services from non-employees are received.

3. Significant accounting policies (continued):

(n) Share-based payment transactions (continued):

Management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected lives and underlying share price volatility. Volatility is estimated by comparing to companies with similar operations over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in profit or loss.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(o) Income taxes:

Income tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are recognized as an expense and included in income or loss for the period, except to the extent that the tax arises from a transaction which is recognized in other comprehensive income or directly in equity.

Current tax expense is the amount of income taxes payable (recoverable) in respect of the taxable income (tax loss) for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, the carry-forward of unused tax loses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

(p) 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.

3. Significant accounting policies (continued):

(q) Financial instruments:

(*i*) Financial assets:

The Company initially recognizes receivables and deposits on the date that they are originated and all other financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets which include cash and cash equivalents, trade and other receivables have fixed or determinable payments and are not quoted in an active market. Such assets are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses.

(*ii*) Financial liabilities:

Financial liabilities comprise the Company's accounts payable and accrued liabilities, credit facility and loans. The financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest.

(*iii*) Share capital and contributed surplus:

Share capital and contributed surplus are classified as equity. Incremental costs directly attributable to increases in share capital and paid-in capital are recognized as a deduction from equity. When share capital and paid-in capital are reduced, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

(r) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

3. Significant accounting policies (continued):

(r) Leases (continued):

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

(s) New standards and interpretations applied:

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that were effective for annual periods that begin on or after January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. This amendment did not have a significant impact to the Company's financial statements as the Company does not currently apply hedge accounting.

Amendments to IFRS 16 Leases

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Company's financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these financial statements.

3. Significant accounting policies (continued):

(s) New standards and interpretations applied: (continued):

Amendments to IFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020. The Company considered these amendments in determining that Shepherd and IPF (note 4) constitute businesses under IFRS 3.

(t) Future Changes in Accounting Policies Not Yet Effective as at December 31, 2020

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2021, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

3. Significant accounting policies (continued):

(t) Future Changes in Accounting Policies Not Yet Effective as at December 31, 2020 (continued):

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment is not expected to have a material impact on the Company's financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

4. Acquisition:

Shepherd Thermoforming & Packaging Inc.

On May 12, 2020, the Company completed the acquisition of 100% of Shepherd Thermoforming & Packaging Inc. ("Shepherd"), a leading thermoformer with over 35 years' experience and all its real estate assets for $9.5 million in cash. The assets include machinery, molds and a 42,000 square foot manufacturing facility, all located on 2.31 acres of land in the Greater Toronto Area of Brampton, Ontario and increases the Company's product offerings and production capabilities. Although the acquisition legally completed on May 12, 2020, the effective date the Company took control of Shepherd per the agreement was April 30, 2020. In addition to the $9.5 million payable in cash at closing, the purchase contemplates a contingent consideration payment of $2.25 million which is payable at some point between 42 and 60 months post-closing, upon satisfaction of a condition relating to increase in the value of the real estate purchased as part of the transaction. The purchase price was financed through a combination of a $6.0 million BDC mortgage loan, a $1.35 million vendor promissory note and the balance funded by drawdown of the Company's BDC credit facility (note 9(d)).

Financial and operating results of Shepherd are included in the Company's consolidated financial statements effective April 30, 2020. During the year ended December 31, 2020, the acquisition of Shepherds contributed revenues of $5.0 million and net earnings before taxes of $755,000 since April 30, 2020.

(Expressed in Canadian dollars)

4. Acquisition (continued):

Shepherd Thermoforming & Packaging Inc. (continued):

In conjunction with the completed acquisition of Shepherd Thermoforming & Packaging Inc., the Company completed the conversion of $1.0 million CAD of its existing long term credit facility with BDC (note 9(d)) by issuing 6,666,667 common shares to BDC at a fair value price of $0.15 per Share, and also issued 3,000,000 common shares to BDC at a fair value price of $0.15 per Share as a loan bonus for BDC providing the mortgage as part of the financing of the Shepherd acquisition.

The following table summarizes the consideration paid to the former owners of Shepherd as part of the purchase price:

Cash funded via Mortgage, net (note 9(b))	$ 5,910,000
Vendor loan (note 9(e))	1,350,000
Cash funded via BDC credit facility (note 9(d))	2,306,129
Contingent consideration liability (see below)	1,673,937
Total Purchase Price	$ 11,240,066

The following table summarizes the allocation of the purchase price:

Current assets	$ 1,366,961
Manufacturing and other equipment	1,423,208
Land and building	9,000,000
Goodwill	850,000
Current liabilities	(550,103)
Deferred income tax liabilities	(850,000)
Net assets acquired	$ 11,240,066

Accounts receivable acquired are at full contract value. The goodwill is calculated as the difference between the purchase price and the fair value of the assets acquired and liabilities assumed and is attributable to the recognition of deferred income tax liabilities as required by IFRS.

Contingent Consideration Liability:

If the appraised value of the owned real estate is greater than or equal to $9,500,000 at a date between the May 12, 2023 and May 12, 2025, the Company shall pay to the vendors an additional $2,250,000 as early as May 12, 2024 or at the latest November 12, 2025 subject to the timing of the appraisal. If the appraised value is not greater than or equal to $9,500,000 at a date between the May 12, 2023 and May 12, 2025, then the contingent earnout amount will be reduced to zero. The Company has recognized the contingent earnout at a present value of $1,673,937 using a discount rate of 7.4% and a payout date of May 12, 2024.

(Expressed in Canadian dollars)

4. Acquisition (continued):

IPF Holdings Inc. dba Integrated Packaging Films

On December 22, 2020, the Company completed the acquisition of 100% of IPF Holdings Inc. dba Integrated Packaging Films ("IPF"), a leading rollstock sheet extruder with over 20 years' experience, located in Ayr, Ontario for $16.7 million in consideration. IPF increases the Company's product offerings and production capabilities. Although the acquisition legally completed on December 22, 2020, the effective date the Company took control of IPF per the agreement was November 30, 2020. The closing consideration was satisfied by payment of $12.5 million in cash, the issuance of 1,773,334 common shares at a fair value of $0.59 per Common Share and the issuance of a $3.3 million vendor take-back note. The cash portion of the purchase price was largely financed through a combination of a $7.6 million reducing term loan with the Royal Bank of Canada with 6-year amortization at market rates; and a US$2.5 million draw down under the Corporation's existing BDC Loan Agreement.

Financial and operating results of IPF are included in the Company's consolidated financial statements effective November 30, 2020. During the one month ended December 31, 2020, the acquisition of IPF contributed revenues of $877,000 and net earnings before taxes of $17,000 since November 30, 2020.

The following table summarizes the fair value of the consideration paid to the former owners of IPF as part of the purchase price:

Cash funded via RBC Loan Facility (note 9(a))	$ 7,600,000
Vendor loan (note (9(e))	3,333,870
Cash funded via BDC credit facility (note 9(d))	3,222,125
Note payable	320,007
Common shares of the Company	1,046,267
Cash	1,717,339
Total Purchase Price	$ 17,239,608

The following table summarizes the preliminary allocation (note 2(c)(i) of the purchase price:

Current assets	$ 3,409,119
Manufacturing and other equipment	4,296,220
Customer relationships	5,600,000
Intangible and other assets	2,589,484
Right of use asset	325,386
Goodwill	5,974,491
Current liabilities	(1,859,706)
Lease liability	(325,386)
Deferred income tax liabilities	(2,770,000)
Net assets acquired	$ 17,239,608

Accounts receivable acquired are at full contract value. The goodwill is calculated as the difference between the purchase price and the fair value of the assets acquired and liabilities assumed and is attributable to expected synergies between IPF and the Company's existing operations including the ability to convert IPF customers to the Company's sustainable plastic offerings and the recognition of deferred income tax liabilities as required by IFRS.

(Expressed in Canadian dollars)

5. Inventory:

	December 31, 2020	December 31, 2019
Raw materials and consumables	$ 4,051,347	$ 1,204,010
Finished goods	2,242,582	718,945
	$ 6,293,929	$ 1,922,955

During the year ended December 31, 2020, inventory, valued at $9,141,267 was expensed as cost of goods sold and reflected within cost of product revenues (December 31, 2019 - $6,258,909).

6. Property and equipment, net:

	Land	Buildings	Manufacturing Equipment	Other Equipment	Accumulated Depreciation	Total
Dec. 31, 2018	$ -	$ -	$ 173,502	$ 39,306	$ (47,868)	$ 164,940
Additions	-	-	232,665	24,922	(49,382)	208,205
Dec. 31, 2019	$ -	$ -	$ 406,167	$ 64,228	$ (97,250)	$ 373,145
Additions	4,943,000	4,319,961	6,130,871	18,116	(368,462)	15,043,486
Dec. 31 2020	$ 4,943,000	$ 4,319,961	$ 6,537,038	$ 82,344	$ (465,712)	$ 15,416,631

Land is not subject to depreciation.

(Expressed in Canadian dollars)

7. Customer relationships, other intangible assets and goodwill:

	Customer Lists	Accumulated Amortization	Net Book Value
December 31, 2018	$ 1,740,750	$ (1,237,654)	$ 503,096
Additions	-	(276,314)	(276,314)
December 31, 2019	$ 1,740,750	$ (1,513,968)	$ 226,782
Additions	5,600,000	(118,236)	6,071,764
December 31, 2020	$ 7,340,750	$ (1,632,204)	$ 5,708,546

	Brand and Formulas	Other Assets[1]	Accumulated Amortization	Net Book Value
December 31, 2018	$ -	$ 93,997	$ -	$ 93,997
Additions	-	439,355	(46,115)	393,240
December 31, 2019	$ -	$ 533,352	$ (46,115)	$ 487,237
Additions	2,200,000	746,287	(44,671)	2,901,616
December 31, 2020	$ 2,200,000	$ 1,279,639	$ (90,786)	$ 3,388,853

1 Included in additions for the year ended December 31, 2019 is $138,350 of right of use assets recognized as at January 1, 2019 upon the adoption of IFRS 16 (note 3(m)).

Included in Brand and Formulas is $1,400,000 of brand which is an indefinite life intangible asset and not subject to amortization. Other assets consist of capitalized development costs, right-of-use assets and other intangibles.

	Goodwill	Accumulated Impairment	Net Book Value
December 31, 2018 and 2019	$ -	$ -	$ -
Additions	6,824,491	-	6,824,491
December 31, 2020	$ 6,824,491	$ -	$ 6,824,491

Goodwill was generated by the acquisitions of Shepherd and IPF (note 4) and is allocated to the plastics and packaging manufacturing and distribution group of CGUs.

(Expressed in Canadian dollars)

8. Credit Line

On June 5, 2019, Comerica Bank agreed to provide the Company with a 1 year, $1,000,000 USD revolving line of credit with a variable interest rate of prime + 1% secured by all assets of the Company. The Company is required to maintain $1,000,000 CAD of cash in its accounts for the term of the revolving loan. As at December 31, 2020, the Company was in compliance with all covenants.

On May 12, 2020, the Company entered into an additional loan agreement with Comerica Bank to provide a further $2.8 million CAD in a revolving line of credit. The facility is for a period of one year at a rate of prime plus 0.5%.

The Company incurred interest expense related to the credit line of $64,245 for the year ended December 31, 2020 (year ended December 31, 2019 - $31,523).

9. Long-term debt:

	RBC Loan Facility (a)	Mortgage (b)	Convertible Debenture (c)	BDC Capital (d)	Vendor Notes (e)	Other debt (f)	Total
Dec. 31, 2018	$ -	$ -	$ 4,224,086	$ -	$ -	$ 1,287,000	$ 5,511,086
Proceeds, net	-	-	2,536,254	6,095,295	-	230,275	8,861,824
Lease addition	-	-	-	-	-	138,350	138,350
Repayment	-	-	-	-	-	(228,874)	(228,874)
Conversion	-	-	(391,671)	-	-	-	(391,671)
Accretion	-	-	252,058	128,862	-	73,215	454,135
Non-cash component	-	-	(686,000)	(340,154)	-	(46,144)	(1,072,298)
Dec. 31, 2019	$ -	$ -	$ 5,934,727	$ 5,884,003	$ -	$ 1,453,822	$ 13,272,552
Proceeds, net	7,600,000	5,910,000	1,046,746	6,233,148	-	231,071	21,020,965
Issuance	-	-	-	-	4,683,870	-	4,683,870
Lease addition	-	-	-	-	-	607,766	607,766
Repayment	-	(23,064)	(4,369,000)	-	-	(151,053)	(4,543,117)
Conversion	-	-	(1,138,846)	(1,000,000)	-	-	(2,138,846)
Accretion / Loss	-	11,683	638,418	359,164	-	84,782	1,094,047
Non-cash component	-	(450,000)	(298,000)	-	-	(82,663)	(830,663)
Foreign Exchange	-	-	-	(335,075)	-	-	(335,075)
Dec. 31 2020	$ 7,600,000	$ 5,448,619	$ 1,814,045	$ 11,141,240	$ 4,683,870	$ 2,143,725	$ 32,831,499

	December 31 2020	December 31 2019
Current portion	$ 3,128,836	$ 196,341
Non-current portion	29,702,663	13,076,211
	$ 32,831,499	$ 13,272,552

(Expressed in Canadian dollars)

9. Long-term debt (continued):

Undiscounted repayment commitment:

The required undiscounted annual repayments of the Company's long-term debt for the years ending December 31 follow:

2021	$ 3,128,836
2022	6,011,195
2023	7,244,564
2024	10,080,65
2025 and beyond	8,324,965
	$ 34,789,626

(a) RBC Loan Facility:

In December 2020, the Company entered into a loan facility with the Royal Bank of Canada ("RBC"). The facility includes a reducing Term Loan of $7.6 million with a six-year amortization, a $3.0 million revolving operating line of credit, a $400,000 revolving capital term loan, and a $400,000 revolving lease line. The facility is dedicated to the operations conducted at the Company's wholly owned subsidiary, IPF (note 4). The facility is secured by a first ranking general security agreement covering the assets of IPF along with a $12.7 million guarantee from the Company.

The Term Loan bears interest at RBC's prime rate plus 1.0% per year. The loan will be repaid fully through 72 monthly payments of $105,556 along with interest (3.45% per annum as at date of December 31, 2020) commencing on January 4, 2021. The loan matures on December 4, 2026.

The facility requires maintenance of a minimum fixed charge coverage ratio, a maximum debt to EBITDA ratio and regular monthly reports of various financial and operational measures. As at December 31, 2020, the Company was in compliance with all covenants under the RBC Loan Facility.

At December 31, 2020, the Company owed $7,600,000 under the Term Loan. No other borrowings have been made from the other components of the facility.

(b) Mortgage:

In May 2020, the Company entered into a $6,000,000 mortgage with BDC Capital Inc. ("BDC") bearing interest at 6.8% per year. Monthly payments of interest only were due for the first four months with blended principal and interest payments of $41,644 based on an amortization period of 300 months starting on October 3, 2020 up to April 3, 2025. The interest rate will be adjusted and new blended monthly payments will be computed on April 3, 2025. The mortgage is secured by the land and building included in the acquisition of Shepherd (note 4). The mortgage includes customary covenants such as insurance maintenance, environmental regulatory compliance and limitations on, among other things additional debt, liens, and asset sales. As at December 31, 2020, the Company was in compliance with all covenants under the Mortgage.

(Expressed in Canadian dollars)

9. Loans and financing (continued):

(c) Convertible Debenture:

	Debenture	Equity component	Issuance Cost	Net Book Value
December 31, 2018	$ 5,029,000	$ (529,090)	$ (275,824)	$ 4,224,086
Proceeds (ii)	2,740,000	(686,000)	(203,746)	1,850,254
Conversion	(425,000)	33,329	-	(391,671)
Amortization	-	164,950	87,108	252,058
December 31, 2019	$ 7,344,000	$ (1,016,811)	$ (392,462)	$ 5,934,727
Proceeds (ii)	1,190,000	(298,000)	(143,254)	748,746
Redemption	(4,369,000)	272,760	162,712	(3,933,528)
Conversion	(1,739,000)	327,394	167,184	(1,244,422)
Amortization	-	226,220	82,302	308,522
December 31, 2020	$ 2,426,000	$ (488,437)	$ (123,518)	$ 1,814,045

The Company issued convertible debentures as noted below. 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 set in the issue.

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 price set in the issue. This right is exercisable if the Company's common shares trade at or above a volume-weighted average trade price on the TSX Venture Exchange ("TSX-V") on any 20 consecutive trading days and on cumulative 20-day trading volume. If the acceleration right is exercised by the Company, the conversion of the debentures into common shares will occur immediately.

The debentures are also subject to a redemption right at the Company's option, to redeem at any time on or after the first anniversary of the issue date any part of the issuance then outstanding at such date at a redemption price usually equal to 105% of the aggregate principal amount of the debentures to be redeemed together with all interest accrued and remaining unpaid.

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 initially measures the liability component at fair value, with the residual amount assigned to the equity components.

9. Loans and financing (continued):

(c) Convertible Debenture (continued):

i) February 2018 Issue

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.

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. 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 used an effective interest rate of 13.2% to value the embedded equity instrument resulting in $672,122 assigned to the conversion feature and warrants.

On June 11, 2019, the Company secured a $10 million USD loan facility from BDC Capital Inc. (the "BDC Financing") (see note 9(d)). Obtaining the BDC Financing required approval of the holders of the Debentures (the "Debenture Holders"). As part of obtaining Debenture Holder consent, the Company agreed to amend the terms of the Debentures and, indirectly, the warrants that were issued as part of a unit with the Debentures.

The amended terms of note increased the forced conversion price to $0.25 from $0.15 and also increased the outstanding warrants held by 122.22%. As a result, 8,568,975 additional warrants at a price of $0.10 per warrant were issued to Warrant Holders. The fair value at grant date of the additional warrants issued was $340,154 based on the Black-Scholes pricing model and was recorded as a BDC Financing issuance cost. The inputs used in the measurement of the fair value at the grant dates follows: risk-free rate of 1.50%; expected life of 1.4 years; volatility factor of 73.4%; and fair value of $0.115 per warrant at issuance date

The conversion price of the February 2018 issue is $0.15 per common share. During the year ended December 31, 2020, $235,000 of Debentures were converted into 1,566,661 common shares (year ended December 31, 2019 $425,000 converted into 2,833,330 common shares).

During the year ended December 31, 2020, the Company fully redeemed the outstanding debentures of $4,369,000 of the February 2018 Debentures in three tranches resulting in a total payment for principal and 5% redemption premium of $4,587,450. As at December 31, 2020, the February 2018 convertible debentures have been fully redeemed or converted.

9. Loans and financing (continued):

(c) Convertible Debenture (continued):

ii) December 2019 Issue

On December 30, 2019, the Company completed a first tranche of convertible debenture units ("Unit") for gross proceeds of $2,740,000. On January 23, 2020, the Company closed the final tranche for additional gross proceeds of $1,190,000. In total, the Company issued 3,930 units at a price of $1,000 per unit. Each Unit is comprised of one $1,000 principal amount unsecured 10% convertible debenture ("Debenture") of the Company due December 30, 2024 (the "Maturity Date") and 938 common share purchase warrants. The Company issued a total of 3,686,340 Warrants to the debenture subscribers.

Each Warrant entitles the holder to purchase one common share of the Company for a period of 24 months after issuance at a price of $0.16 per Warrant. 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 used an effective interest rate of 15.0% to value the embedded equity instrument resulting in $686,000 assigned to the conversion feature and warrants.

The conversion price of the December 2019 issue $0.23 per common share. During the year ended December 31, 2020, $1,504,000 of Debentures were converted into 6,539,101 common shares (year ended December 31, 2019 - $Nil).

The interest on the Debentures is payable in cash on a semi-annual basis in arrears (May 31 and November 30).

Pursuant to the offering, the Company paid cash commissions, legal and other related issuance costs totaling $347,000. The Company also issued non-transferable broker warrants to acquire 1,103,737 common shares from treasury at a price of $0.16 per common share for a period of 24 months after issuance. The assigned value at grant date of the broker warrants issued was $117,989 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 grant date follows: risk-free rate of 1.71%; expected life of 1.5 years; volatility factor of 77.73%; and fair value of $0.17 per share at issuance date.

(Expressed in Canadian dollars)

9. Loans and financing (continued):

(d) BDC Capital Inc. Financing:

	Loan	Equity component	Issuance Cost	Net Book Value
December 31, 2018	$ -	$ -	$ -	$ -
Proceeds	6,965,737	(340,154)	(702,170)	5,923,413
Accretion	-	42,053	86,809	128,862
Foreign exchange restatement to period end spot rate	(168,272)	-	-	(168,272)
December 31, 2019	$ 6,797,465	$ (298,101)	$ (615,361)	$ 5,884,003
Proceeds	6,233,148	-	-	6,233,148
Share conversion	(1,000,000)	29,196	83,159	(887,645)
Accretion	-	81,447	165,362	246,809
Foreign exchange restatement to period end spot rate	(335,075)	-	-	(335,075)
December 31, 2020	$ 11,695,538	$ (187,458)	$ (366,840)	$ 11,141,240

On June 11, 2019, the Company secured the BDC Financing a $10 million USD loan facility.

The Company's first draw of $5 million USD occurred in June 2019 and was used for working capital to further accelerate organic growth. The second draw of $2,401,500 CAD occurred in May 2020 as funding towards the acquisition of Shepherd (note 4). The third and final draw of $2,500,000 US occurred in December 2020 as funding towards the purchase of IPF (note 4).

On April 28, 2020, the BDC Financing was amended to reflect BDC's agreement to convert $1,000,000 CAD into common shares of the Company and reduce maximum amount of the facility to $8,500,000 USD. In addition, the original maturity date of the loan facility was changed from May 1, 2025 to June 1, 2024.

At December 31, 2020, the Company owed $8,500,000 USD under the BDC Facility (December 31, 2019 – US$5,000,000). Subsequent to the year-end, the Company issued 2,656,875 shares upon the conversion of $3,188,250 (US$2,500,000) of BDC Capital debt (note 9(d)) at a fair value of $1.20 per share.

The loan facility bears interest at BDC Capital's floating base rate plus 4% per year and is payable monthly (7.05% at date of signing; 4.9% at December 31, 2020). Principal repayment of the outstanding loan commences on June 1, 2021 by way of 36 monthly instalments of $121,324 USD and a balloon payment of $1,632,336 USD on June 1, 2024. The loan facility is secured in a subordinate position on all assets of the Company except for the Company's intellectual property where BDC's security interest shall rank first.

(Expressed in Canadian dollars)

9. Loans and financing (continued):

(d) BDC Capital Inc. Financing (continued):

The loan facility also bears non-compounding interest of 8% per year payable on the maturity date. The rate may be reduced by up to 1% upon achievement of certain milestones.

The loan facility requires maintenance of minimum coverage ratio and earning levels along with other customary covenants such as limitations on, among other things, additional debt, liens, investments, acquisitions and capital expenditures, future dividends and asset sales. As at December 31, 2020, the Company was in compliance with all covenants under the BDC Financing.

(e) Vendor Notes:

Vendor Loan $1,350,000 bearing interest at 4% per year payable to the former owners of Shepherd. Under the terms of an agreement with other lending parties to the Shepherd acquisition (note 4), the vendor has a subordinate interest and is secured by a second mortgage on the property. Interest is payable quarterly and started on August 10, 2020. Principal is to be repaid as follows - $350,000 on May 12, 2021, $500,000 on November 12, 2023; and $500,000 on November 12, 2024.

Vendor Loan $3,333,870 bearing interest at 3.75% per year payable to the former owners of IPF. Interest is payable quarterly beginning January 1, 2021. Principal is to be repaid as follows - $1,111,290 on December 31, 2022 and $2,222,580 on December 31, 2023.

(f) Other Loans:

	WINN Loan	Lease Liabilities	Other	Total Other Loans
December 31, 2018	$ 1,287,000	$ -	$ -	$ 1,287,000
Proceeds (ii)	170,021	-	60,254	230,275
Lease addition	-	138,350	-	138,350
Repayment	(187,050)	(41,824)	-	(228,874)
Accretion	73,215	-	-	73,215
Non-cash component	(46,144)	-	-	(46,144)
December 31, 2019	$ 1,297,042	$ 96,526	$ 60,254	$ 1,453,822
Proceeds, net	191,071	-	40,000	231,071
Lease addition	-	607,766	-	607,766
Repayment	(30,000)	(60,799)	(60,254)	(151,053)
Accretion	84,782	-	-	84,782
Non-cash component	(82,663)	-	-	(82,663)
December 31, 2020	$ 1,460,233	$ 643,493	$ 40,000	$ 2,143,725

(Expressed in Canadian dollars)

9. Loans and financing (continued):

(f) Other Loans (continued):

Western Innovation Initiative loan:

	Loan	Discount	Net Book Value
December 31, 2018	$ 1,573,076	$ (286,076)	$ 1,287,000
Proceeds	170,021	(46,144)	123,877
Repayment	(187,050)	-	(187,050)
Accretion	-	73,215	73,215
December 31, 2019	$ 1,556,047	$ (259,005)	$ 1,297,042
Proceeds	191,072	(82,663)	108,409
Repayment	(30,000)	-	(30,000)
Accretion	-	84,782	84,782
December 31, 2020	$ 1,717,119	$ (259,005)	$ 1,460,233

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.

During 2020, the Company accepted WINN’s offer to temporarily defer monthly loan repayments due to COVID-19. Monthly instalments restarted on January 1, 2021 with full repayment to be completed on July 1, 2023 – 8 monthly payments of $15,000 followed by 23 monthly payments of $48,617. At December 31, 2020, the undiscounted balance of the first WINN loan was $1,238,194.

As the funds were advanced, the Company recognized a gain and discounted the first WINN loan by $480,070 as a result of the imputed interest benefit received from the interest-free WINN loan.

On August 7, 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. The claim period for shared project costs commenced April 1, 2018.

The Company received loan proceeds of $191,072 under the second WINN agreement during the year ended December 31, 2020 (Year ended December 31, 2019 - $170,021). The Company recognized a gain and discounted the second WINN loan by $82,663 (Year ended December 31, 2019 - $46,144) as a result of the imputed interest benefit received from the interest-free loan.

9. Loans and financing (continued):

(f) Other Loans (continued):

The total amount of undiscounted future cash flows required to settle the WINN loans at December 31, 2020 was $1,717,119 (December 31, 2019 - $1,556,047). The future cash flows have been discounted using a rate of 8.20%. The remaining repayments for the years ending December 31 are 2021 - $314,468; 2022 - $655,242; 2023 - $436,106; 2024 - $95,784 and beyond 2024 - $215,519.

Other loans include office lease liability, manufacturing plant lease liability and long-term financing of custom packaging molds. The Company renewed its office lease with a 5-year expiry date of March 31, 2025. The lease payments over the term are recorded as a lease liability of $356,000 - the office lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of 10.65%. The manufacturing plant's lease was acquired with IPF (note 4) and expires in September 2022. The lease payments over the term are recorded as a lease liability of $325,386 - the manufacturing plant lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of 3.45%.

10. 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 December 31, 2020, 179,258,278 common shares were issued and outstanding (December 31, 2019 - 105,797,873).

Shares for acquisition consideration:

On March 21, 2019, the Company finalized the outsourcing agreement with related to a 2016 acquisition of Lindar Corporation's bioplastic book of business and received approval from the TSX Venture Exchange to release the common share consideration for the acquisition. Pursuant to the agreement finalization and share release approval, the Company issued 5,382,000 common shares with a value of $591,500.

On May 12, 2020, in conjunction with the acquisition of Shepherd (note 4), the Company issued 3,000,000 shares to BDC with a fair value price of $0.15 per share as a loan bonus for BDC providing the mortgage as part of the financing of the Shepherd acquisition.

On December 22, 2020, the Company completed the acquisition of Integrated Packaging Films (note 4) for $16.7 million in consideration. A portion of the consideration was paid through the issuance of 1,773,334 common shares at a fair value of $0.59 per share.

(Expressed in Canadian dollars)

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

(a) Common and preferred share capital (continued):

Shares for debenture conversion and debt repayment:

During the year ended December 31, 2020, the Company issued 8,105,762 shares at an average conversion price of $0.21 per share pursuant to the conversion of $1,739,000 of outstanding debentures (December 31, 2019 – 2,833,330 shares; $425,000) (note 9 (c)).

On May 12, 2020, the Company completed the conversion of $1.0 million CAD of its existing long-term credit facility with BDC (note 9(d)) by issuing 6,666,667 common shares to BDC at a fair value price of $0.15 per share.

Private Placement:

In September 30, 2020, the Company completed a private placement of 23,851,436 units at a price of $0.14 per unit for gross proceeds of $3,065,263. Each unit is comprised of one common share and one-half common share warrant of the Company. Each warrant entitles its holder to acquire one share of the Company at a price of $0.21 per share within the 18-month period following the closing of the respective tranche.

The Company paid cash commission, legal and other related fees totaling $311,690 and also granted 1,623,703 non-transferable 18-month broker warrants to acquire 1,623,703 common shares of the Company at a price of $0.14 per share. The fair value at grant date of the broker warrants issued was $55,672 based on the Black-Scholes pricing model and was recorded as a share issuance cost. Expected volatility was determined based on comparable publicly listed companies. The expiry date of the warrants is subject to an acceleration right in favour of the Company that is exercisable if the shares trade at or above a volume-weighted average trading price of $0.32 on the TSX- Venture Exchange for any 20 consecutive trading days. If the acceleration right is exercised by the Company, the warrants will expire on the 30th day following the date that notice of acceleration is sent to the warrant holders.

The inputs used in the measurement of the fair value of the warrants issued were:

Risk-free interest rate	0.25%
Dividend yield	0.00%
Expected life (years)	1
Volatility	65.93%
Forfeiture rate	0.0%
Common share price at grant date	$0.14

In December 2020, the Company completed a private placement totaling 8,520,000 common shares at a price of $0.47 per share for gross proceeds of $4,004,400.

(Expressed in Canadian dollars)

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

(a) Common and preferred share capital (continued):

The Company paid a cash commission of $280,280 representing 7.0% of the aggregate gross proceeds of the placement; 596,400 broker warrants representing 7.0% of the aggregate number of common shares issued pursuant to the placement; and a corporate finance fee of 170,228 common shares representing 2.0% of the number of common shares issued pursuant to the placement. Each broker warrant entitles the holder to acquire one common share at the issue price of $0.47 for a period of 24 months from the issue date.

The fair value at grant date of the broker warrants issued was $154,234 based on the Black-Scholes pricing model and was recorded as a share issuance cost. Expected volatility was determined based on comparable publicly listed companies.

The inputs used in the measurement of the fair value of the warrants issued were:

Risk-free interest rate	0.22%
Dividend yield	0.00%
Expected life (years)	1
Volatility	79.51%
Forfeiture rate	0.0%
Common share price at grant date	$0.63

(b) Share options and Restricted share units:

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

	Options	Weighted average exercise price
Outstanding as at December 31, 2018	6,903,794	0.18
Issuance of options	281,000	0.13
Forfeiture of options	(45,000)	0.10
Outstanding as at December 31, 2019	7,139,794	0.18
Issuance of options	3,248,189	0.20
Exercise of options	(1,110,000)	0.20
Forfeiture of options	(636,000)	0.23
Outstanding as at December 31, 2020	8,641,983	$ 0.18
Exercisable as at December 31, 2020	5,732,784	$ 0.18

(Expressed in Canadian dollars)

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

(b) Share options and Restricted share units (continued):

Information about options outstanding and exercisable As at December 31, 2020 follows:

Range of Exercise Prices	Number Outstanding	Number exercisable	Weighted average remaining life (in years)
$0.10 to $0.15	6,089,852	3,133,066	7.3
$0.16 to $0.20	2,097,857	2,097,857	4.7
$0.21 to $0.25	192,350	192,350	3.5
$0.26 to $1.00	261,924	61,924	8.6
	8,641,983	5,485,197	6.6

The weighted average fair value per option of options granted in the year ended December 31, 2020 was $X.X (year ended December 31, 2019 - $X.X). 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:

	Year ended December 31 2020	Year ended December 31 2019
Risk-free interest rate	0.22 – 0.73%	1.53 – 2.16%
Dividend yield	0.00%	0.00%
Expected life (years)	2 - 4	2 - 4
Volatility	66.24 – 133.06%	61.9 - 126.8%
Forfeiture rate	0.0%	0.0%
Common share price at grant date	$0.10 - $0.85	$0.10 - $0.16

On April 29, 2020, pursuant to the Company's Omnibus Equity Incentive Compensation Plan, the Company has granted 1,360,000 restricted share units ("RSUs") vesting over a period of 3 years from the date of grant and 1,525,000 RSUs vesting over a period of 2 years from the date of grant. Each RSU will entitle the holder to receive either one Company Share from treasury, the cash equivalent of one Company Share or a combination of cash and Company Shares, as the Board may determine in its sole discretion on settlement. The Company intends to settle these in shares. The RSUs will vest over a period of 2 or 3 years as applicable, and on or following each annual vesting date the vested portion of the RSUs will be settled. The value of the RSUs was measured on the date of grant at $0.15 per RSU for a total of $432,750 which will be amortized over the life of the respective terms.

(Expressed in Canadian dollars)

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

(b) Share options and Restricted share units (continued):

		Number Outstanding
Outstanding as at December 31, 2019		-
Issuance of restricted share units		2,885,000
Outstanding as at December 31, 2020		2,885,000
Vesting on:	April 29, 2021	1,215,833
	April 29, 2022	1,215,833
	April 29, 2023	453,334
		2,885,000

(c) Share purchase warrants:

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

	Warrants	Weighted average exercise price
Outstanding at December 31, 2018	29,874,965	$ 0.14
Issuance of warrants	11,139,095	0.11
Issuance of warrants to brokers	708,940	0.16
Exercise of warrants	(3,231,857)	0.13
Expiry of warrants	(18,034,172)	0.15
Outstanding at December 31, 2019	20,456,971	$ 0.12
Issuance of warrants	13,041,938	0.18
Issuance of warrants to brokers	2,614,900	0.20
Exercise of warrants	(20,262,806)	0.12
Outstanding at December 31, 2020	15,851,003	$ 0.20

(Expressed in Canadian dollars)

10. 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 2021	52,231	$ 0.19	0.8
February 2022	1,536,661	0.10	1.2
December 2021	586,250	0.16	1.0
January 2022	172,895	0.16	1.1
February 2022	12,069,956	0.20	1.2
March 2022	836,610	0.20	1.3
December 2022	594,400	0.47	2.0
	15,851,003	$ 0.15	1.2

11. Related party transactions

The following table sets forth the remuneration of directors and key management personnel:

	Year ended December 31 2020	2019
Salaries, management, consulting and director fees	$ 1,302,520	$ 896,020
Share based payments [i]	204,871	36,901
	$ 1,507,391	$ 932,921

[i] Share-based payments are the fair value of options granted and the amortized value of RSU units granted to directors and key management personnel.

As at December 31, 2020, $261,509 (December 31, 2019 - $204,208) was due to directors and officers of the Company for accrued bonus, management, consulting, director fees and expense reimbursement.

(Expressed in Canadian dollars)

12. Income taxes:

The income taxes recognized in profit or loss are as follows:

	Year ended December 31 2020	2019
Current tax expense	$ -	$ -
Deferred tax recovery	(80,460)	(277,062)
	$ (80,460)	$ (277,062)

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

	Year ended December 31 2020	2019
Loss before income taxes	$ (7,267,432)	$ (3,750,883)
Expected income tax recovery at 27.0% (2019 - 27.0%)	(1,962,000)	(1,013,000)
Permanent adjustments and other	1,314,000	170,938
Differing effective tax rates in other jurisdictions	9,000	-
Change in unrecognized deferred tax assets	558,540	565,000
Total income tax (recovery) expense	$ (80,460)	$ (277,062)

The approximate tax effect of each item that gives rise to the Company's recognized deferred tax assets and liabilities as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating loss carry forwards	$ 533,000	$ 358,000
Deferred tax liabilities:		
Intangible assets	(1,791,000)	-
Property, plant and equipment	(1,924,000)	-
Long-term debt and other	(438,000)	(358,000)
	$ (3,620,000)	$ -

(Expressed in Canadian dollars)

12. Income taxes (continued):

The Company's movement of net deferred tax liabilities is described below:

	Year ended December 31 2020	2019
At January 1	$ -	$ -
Deferred income tax (expense) recovery	80,460	277,062
Deferred income tax from purchase of Shepherd	(850,000)	-
Deferred income tax from purchase of IPF	(2,770,000)	-
Equity	(80,460)	(277,062)
At December 31	$ (3,620,000)	$ (277,062)

The Company has the following deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized:

	December 31, 2020	December 31, 2019
Non-capital losses	$ 21,025,000	$ 16,083,000
Intangible assets	2,253,000	2,088,000
Financing fees	1,579,000	1,427,000
Other	965,000	2,118,000
	$ 25,822,000	$ 21,716,000

At December 31, 2020 the Company has non-capital loss carry forwards in Canada aggregating $23,047,000 (December 31, 2019: $17,408,000) which expire over the period between 2035 and 2040, available to offset future taxable income in Canada.

Tax attributes are subject to review, and potential adjustment, by competent authority.

In addition, the Company has $632,636 (December 31, 2019 - $632,636) of SR&ED expenditure pool which is available to reduce future taxable income. This amount carries forward indefinitely.

13. Management of capital:

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. In the management of capital, the Company includes loans, share capital and contributed surplus.

In order to maintain its capital structure, the Company, is dependent on debt and equity funding and when necessary, raises capital through issuance of equity instruments. 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 make changes to its capital structure as deemed appropriate under the specific circumstances. To date, no dividends have been paid to the Company's shareholders and none are planned.

The Company is subject to certain covenants on its credit facility and long-term debt. Along with customary covenants such as limitations on, among other things, additional debt, liens, investments, acquisitions and capital expenditures, future dividends and asset sales, the loans require maintenance of minimum coverage ratio, maximum debt to EBITDA ratio and earning levels. Other than these required covenants, the Company is not subject to any externally imposed capital requirements.

14. Financial risk management and financial instruments:

(a) Overview:

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

(b) Market risk:

Market risk is the risk that changes in market prices, such as fluctuations in the prices of inputs for materials, foreign exchange rates or interest rates, will affect the Company's income or the value of its financial instruments. The Company does not engage in risk management practices such as hedging or derivatives.

A portion of the Company's operations are performed in US dollars, giving rise to exposure to market risks from foreign exchange rates.

(Expressed in Canadian dollars)

14. Financial risk management and financial instruments (continued):

(c) Currency risk:

(*i*) Exposure to currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. At December 31, 2020, total assets include cash of US$1,205,038 (December 31, 2019 - US$3,601,403) and receivables of US$2,767,032 (December 31, 2019 - US$501,505); total liabilities include payables and accruals of US4,054,573 (December 31, 2019 - US$1,758,471), credit line of US$$1,000,000 (December 31, 2019 - US$500,000) and undiscounted long-term debt of US$9,191,177 (December 31, 2019 - US$5,223,561).

(*ii*) Sensitivity analysis:

A change of the US dollar against the Canadian dollar as at December 31, 2020 would have increased or decreased comprehensive loss by the amount shown below. The analysis assumes that all other variables remain constant.

	Profit or loss
10% change of the US dollar	$ 1,027,368

(d) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company mitigates liquidity risk by holding sufficient cash and cash equivalents to meet its short-term financial obligations. The Company's growth is primarily financed through the issuance of equity and debt. The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days.

The following are the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	Less than 1 year	Year 2	Years 3-5	More than 5 years
Non-derivative financial liabilities:						
Trade and other payables and accrued liabilities	$8,882,166	$ 8,882,166	$ 8,882,166	$ -	$ -	$ -
Credit line	3,073,200	3,073,200	3,073,200	-	-	-
Loan payable	32,831,499	34,789,626	3,128,836	6,011,195	18,840,015	6,809,579
	$44,786,865	$46,744,992	$15,084,202	$6,011,195	$18,840,015	$6,809,579

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As at December 31, 2020, the Company had issued letters of credit to key suppliers totaling US$850,000.

14. Financial risk management and financial instruments (continued):

(e) Credit risk:

The Company's exposure to credit risk primarily arises from the possibility that its customers may fail to meet their obligations. The Company has credit evaluation, approval and monitoring processes in place which mitigates these potential credit risks. The Company continually evaluates the collectability of accounts receivable and records an allowance for doubtful accounts if required, which reduces the receivables by the amount of any expected credit losses. The failure of a significant customer could have a material adverse effect on the Company. As at December 31, 2020, trade and other receivables is made up of $5,535,827 of trade receivables and $21,452 of GST receivable (December 31, 2019, $658,770 and $23,852 respectively). There is allowance for doubtful accounts of $85,090 against this balance (December 31, 2019 - nil), which management believes adequately reflects the Company's expected credit losses. The provision for allowance for doubtful accounts is recognized within operating expenses, if any.

(f) Fair values of financial instruments:

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: Values based upon unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based upon prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of trade and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The carrying value of the credit facility and long term debt, approximates their fair values as the interest rate environment has not changed significantly since the date of issue.

The Company has no financial instruments which are measured at fair value at December 31, 2020 with the exception of cash and cash equivalents and contingent consideration (note 4) which are considered Level 2.

(Expressed in Canadian dollars)

15. Segmented information:

The Company carries on business in one operating and reporting segment, plastics and packaging manufacturing and distribution; all sales and costs are made in this segment. The vast majority of the Company's operations are performed within the United States and Canada.

Sales in the year ended December 31, 2020 from the top four customers amounted to $8,189,192 or 49% of total revenue made up of 29%, 9%, 7% and 4% of total revenue. (Year ended December 31, 2019 - $7,464,472 or 74% made up of 35%, 19%, 15% and 5%).

The Company had one account that accounted for greater than ten percent of accounts receivable for a total of $795,462 or 14% at December 31, 2020 (December 31, 2019 – two accounts: $375,993 or 55% made up of 29% and 26%).

16. Product development:

Product development expenses are as follows:

	Year ended December 31 2020	2019
Product development expenses	$ 568,435	$ 617,888
Capitalized product development expenses	(134,811)	(155,914)
	$ 433,624	$ 461,974

17. Selling, general, and administrative:

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

	Year ended December 31 2020	2019
Salaries	$ 2,291,319	$ 1,282,213
Other selling, general and administrative expenses	1,610,607	972,111
Outsourced supply chain, freight costs, and fulfillment	3,453,308	2,400,874
Acquisition related expenses	1,315,495	-
	$ 8,670,729	$ 4,655,198

(Expressed in Canadian dollars)

18. Supplementary cash flow information:

	Year ended December 31 2020	2019
Non-cash investing activities:		
Business acquisition funded by vendor loans and Vendor notes, common shares and contingent consideration liability (note 4)	$ 7,511,281	$ -
Office and plant lease capitalized asset	$ 607,766	$ -
Non-cash financing activities:		
Vendor loan and notes (note 4)	$ 5,003,877	$ -
Contingent liability (note 4)	$ 1,673,937	$ -
Capitalized office and plant lease liability	$ 607,766	$ -
Shares as acquisition consideration (note 4)	$ 1,046,267	$ -
Shares issued for conversion of debentures (note 10(a))	$ 1,739,000	$ 425,000
Shares issued for conversion of BDC loan (note 9(d))	$ 1,000,000	$ -
Shares issued upon mortgage funding (note 10(a))	$ 450,000	$ -

19. Subsequent events:

a) Equity Transactions

Subsequent to the year end, the following equity related transactions occurred:

- the Company issued 3,243,465 shares at a price of $0.23 per share pursuant to the conversion of $746,000 of outstanding debentures;
- the Company issued 373,263 shares upon the exercise of options at an average price of $0.15 per share for gross proceeds of $55,989;
- the Company issued 10,039,518 shares upon the exercise of warrants at an average price of $0.19 per share for gross proceeds of $1,938,035;
- the Company issued 2,656,875 shares upon the conversion of $3,188,250 (US$2,500,000) of BDC Capital debt (note 9(d)) at a fair value of $1.20 per share;
- the Company issued 62,500 shares upon the conversion of $50,000 of a vendor note at a fair value of $0.80 per share; and
- On March 4, 2021, the Company completed a short form prospectus offering of 19,262,500 common shares of the Company at an issue price of $1.20 per common share for gross proceeds of $23,115,000. The underwriters received a cash commission of $1,386,900 representing 6.0% of the aggregate gross proceeds of the offering; and 1,155,750 compensation options. Each compensation option entitles the holder to acquire one common share at the issue price for a period of 24 months from the date of the offering.