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

GOOD NATURED PRODUCTS INC.

Nine months ended September 30, 2018 and August 31, 2017

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

NOTICE TO READER

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

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements for the nine month period ended September 30, 2018 in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars) (Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash (note 5 (c))	\$ 3,323,357	\$ 797,883
Trade and other receivables	451,140	2,136,280
Inventory	366,516	250,742
Prepaid expenses	42,477 4,183,490	105,039 3,289,944
	4,100,400	5,203,344
Non-current assets:		
Equipment, net	126,406	51,760
Intangible assets (note 4)	715,627	1,004,771
	\$ 5,025,523	\$ 4,346,475
Liabilities and Shareholders' Equity (Defic	ciency)	
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,228,347	\$ 3,139,124
Credit facility (note 5 (c))	325,000	325,000
Current portion of Loans (note 5 (b))	132,000	211,323
	1,685,347	3,675,447
Loans (note 5 (a,b))	5,292,169	1,067,360
Shareholders' Equity (deficiency):		
Common share capital (note 6 (a))	12,441,108	12,305,160
Shares issuable (note 6)	591,500	591,500
Contributed surplus (note 6 (b,c))	3,764,136	2,990,474
Deficit	(18,748,737)	(16,283,466)
	(1,951,993)	(396,332)
	\$ 5,025,523	\$ 4,346,475
Nature of operations (note 1)		
See accompanying notes to unaudited condensed consol	idated interim financial state	ments.
Approved on behalf of the Board:		
<u>"Jim Zadra"</u> Director	"Salil Munjal"	Director

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

	Three mo	ended		Nine mo	nth	s ended	
S	eptember 30,		August 31,	Se	eptember 30,		August 31,
	2018		2017		2018		2017
_		•		•		•	0.40=.00=
Revenue \$	1,003,362	\$	807,214	\$	3,186,438	\$	2,167,827
Cost of product revenue	(689,723)		(547,715)		(2,140,623)		(1,474,599)
Gross profit	313,639		259,499		1,045,815		693,228
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Expenses:							
Research and development	(21,135)		(77,171)		(179,575)		(236,009)
Selling, general, and administrative							
(note 7)	(746,687)		(768,345)		(2,298,101)		(2,388,687)
Share-based compensation (note 6 (b))	(40,001)		(62,472)		(141,928)		(151,447)
Depreciation and amortization	(121,039)		(120,892)		(369,458)		(390,864)
Financing costs	(228,606)		(34,265)		(542,985)		(79,314)
Loss before other items	(843,829)		(803,646)		(2,486,232)		(2,553,093)
Other items:							
Gain on interest free loan (note 5 (b))	20,961		-		20,961		22,278
Net loss and comprehensive							
loss for the period \$	(822,868)	\$	(803,646)	\$	(2,465,271)	\$	(2,530,815)
				_		_	
Basic and diluted loss per share \$	(0.01)	\$	(0.01)	\$	(0.03)	\$	(0.03)
Weighted average and diluted share #	93,935,027		77,280,006		93,617,695		75,395,558

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

	Number of common shares	Common share capital	Common shares issuable	С	ontributed surplus- warrants	Contributed surplus- ock options	Deficit	(Equity/ Deficiency)
Balance at February 28, 2017	72,914,657	\$ 11,261,020	\$ 591,500	\$	1,217,223	\$ 729,754	\$ (13,351,397)	\$	448,100
Issuance of common shares, net (note 6 (a)) Share based compensation Net loss	18,223,697 - -	875,578 - -	- - -		830,308 - -	89,543 -	- - (1,558,306)		1,705,886 89,543 (1,558,306)
Balance at August 31, 2017	91,138,354	\$ 12,136,598	\$ 591,500	\$	2,047,531	\$ 819,297	\$ (14,909,703)	\$	685,223
Issuance of common shares, net (note 6 (a)) Shares issued for debt settlement (note 6 (a)) Share based compensation Net loss	1,209,500 1,104,500 - -	58,112 110,450 - -	- - - -		42,049 - - -	- - 81,597 -	- - - (1,373,763)		100,161 110,450 81,597 (1,373,763)
Balance at December 31, 2017	93,452,354	\$ 12,305,160	\$ 591,500	\$	2,089,580	\$ 900,894	\$ (16,283,466)	\$	(396,332)
Shares issued for debt settlement (note 6 (a)) Warrants issued with convertible debenture (note 5 (a)) Issued shares upon debenture conversion (note 5 (a)) Issued shares upon warrant exercise (note 5 (a)) Share based compensation Net loss	202,500 - 133,332 562,500 -	21,750 - 17,560 96,638 - -	- - - - -		672,122 (40,388)	- - - 141,928 -	- - - - (2,465,271)		21,750 672,122 17,560 56,250 141,928 (2,465,271)
Balance at September 30, 2018	94,350,686	\$ 12,441,108	\$ 591,500	\$	2,721,314	\$ 1,042,822	\$ (18,748,737)	\$	(1,951,993)

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

	Nine months ended			
	September 30, 2018	August 31, 2017		
	2010	2017		
Cash provided by (used in):				
Operations:				
Net loss	\$ (2,465,271)	\$ (2,530,815)		
Items not involving cash:	202.452	202.224		
Depreciation and amortization	369,458	390,864		
Share based compensation (note 6 (b))	141,928	151,447		
Gain on disposal of property and equipment	(9,946)	(00.070)		
Gain on interest free loan (note 5 (b))	(20,961)	(22,278)		
Accretion on loans (note 5 (a,b))	148,257	49,533		
Deferred finance cost amortization (note 5 (a))	50,813	<u>-</u>		
	(1,785,722)	(1,961,249)		
Changes in non-cash operating working capital:				
Trade and other receivables	1,685,140	(1,399,703)		
Inventory	(115,774)	(203,865)		
Prepaid expenses	62,562	(146,552)		
Accounts payable and accrued liabilities	(1,889,027)	1,933,844		
Cash used in operating activities	(2,042,821)	(1,777,525)		
Financing:				
Issuance of common shares and warrants (note 6 (a))	-	2,639,651		
Issuance of common shares upon warrant exercise	56,250	-		
Net proceeds from loans (note 5 (a,b))	4,777,815	96,646		
Repayment of loan (note 5 (b))	(120,756)	-		
Repayment of credit facility (note 5 (c))	-	(175,000)		
Cash provided by financing activities	4,713,309	2,561,297		
Investments:				
Purchase of equipment, net	(101,712)	(3,141)		
Purchase of intangibles	(67,174)	-		
Proceeds on disposal of property and equipment	23,872	<u>-</u>		
Cash provided by financing activities	(145,014)	(3,141)		
Increase in cash	2,525,474	780,631		
Cash, beginning of period	797,883	555,201		
Cash, end of period	\$ 3,323,357	\$ 1,335,832		

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

See accompanying notes to unaudited condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

1. Nature of operations:

good natured Products Inc. (the "Company") is a Canadian company incorporated under the British Columbia Business Corporations Act and its common shares are listed on the TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the symbol "GDNP". The Company's head office is located at 814 - 470 Granville Street, Vancouver, British Columbia, Canada. The Company through its wholly owned subsidiaries good natured Products (CAD) Inc. and Solegear Bioplastics (US) Inc., is principally engaged in the design, production and distribution of high-performance bioplastics for use in packaging and durable product applications. Effective October 31, 2017, the Company changed its name and that of its Canadian subsidiary from Solegear Bioplastic Technologies Inc. and Solegear Bioplastics Inc. respectively. The Company has not yet realized profitable operations and has relied on external sources of debt and equity to fund growth to date. The Company intends to continue to focus on growth in revenue as well as seek near-term profitability.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the ten months ended December 31, 2017 and have been prepared in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, these unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the ten months ended December 31, 2017.

These consolidated financial statements were authorized for issue by the Board of Directors on November 20, 2018.

(b) Basis of measurement:

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

(c) Use of estimates, assumptions and judgments:

(i) Use of estimates and assumptions:

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

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

The directors have applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the nine months ended September 30, 2018. Management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment and as described in note 1, management concluded the going concern basis of accounting is appropriate.

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

Financial instruments:

The Company enters financial instrument arrangements which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Key judgments include whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Inventory provision:

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

Share based payments and warrants:

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

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

2. Basis of presentation (continued):

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

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

(d) Change in year-end:

Effective in 2017, the Company changed its financial year-end from February 28 to December 31 to align with the financial reporting of most public issuers. The change in year-end resulted in the Company filing a one-time, ten-month transition year covering the period of March 1, 2017 to December 31, 2017. Subsequent to the transition year, the Company's financial year will cover the period January 1 to December 31.

The information presented in these consolidated financial statements includes the nine months ending September 30, 2018 as compared to the nine months ending August 31, 2017. As a result, the information contained in these condensed consolidated interim financial statements may not be comparable to previously reported periods.

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 September 30, 2018.

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) Solegear Bioplastics (US) Inc. (100% owned)

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

3. Significant accounting policies (continued):

(b) Revenue recognition:

The Company generates revenue from product sales and product development agreements.

Revenue from product sales is recognized when the product has been shipped, when the sales price is fixed and when management determines that collectability is reasonably assured.

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

4. Intangible assets:

	Cost	Accumulated Amortization	Net Book Value
February 28, 2017	\$ 1,740,750	\$ (313,779)	\$ 1,426,971
Accretion	-	(422,200)	(422,200)
December 31, 2017	\$ 1,740,750	\$ (735,979)	\$ 1,004,771
Purchases	67,174	-	67,174
Accretion	-	(356,318)	(356,318)
September 30, 2018	\$ 1,807,924	\$ (1,092,297)	\$ 715,627

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

On December 23, 2016, the Company completed the acquisition of LINDAR Corporation's ("Lindar") bioplastic book of business, which was subject to finalization of an outsourcing agreement and approval from the TSX Venture Exchange. Lindar will receive 4,225,000 common shares with a value of \$591,500 as consideration which has been reflected within shares issuable as at February 28, 2017. The Shares will be issued from treasury and subject to a 24-month hold from the signing date of the outsourcing agreement.

Commencing in the third quarter ending September 2018, the Company capitalized expenditures related to the development of its new non-toxic high-heat bioplastic food containers for the grocery, take-out and consumer markets. By securing financing of \$850,000 from Western Economic Diversification Canada for the development cost of the new containers (note 5(b)), management believes the major criteria of technical feasibility, commercial viability and financing for asset treatment are in place for asset capitalization.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

5. Loans and financing:

(a) Convertible Debentures:

	Debenture	Discount	Deferred Finance Cost	Net Book Value
December 31, 2017	\$ -	\$ -	\$ -	\$ -
Issuance	5,049,000	(672,122)	(348,414)	4,028,464
Conversion	(20,000)	2,440	-	(17,560)
Accretion / Amortization	_	98,406	50,813	149,219
September 30, 2018	\$ 5,029,000	\$ (571,276)	\$ (297,601)	\$ 4,160,123

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

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

Each Debenture is convertible, at the option of the holder, at any time prior to the close of business on the last business day immediately preceding the Maturity Date, into that number of common shares computed on the basis of the principal amount of the Debentures divided by the conversion price of \$0.15 per common share. During the quarter ending September 30, 2018, \$20,000 of Debentures were converted into 133,332 common shares pursuant to the conversion option.

Each Warrant entitles the holder to purchase one common share of the Company for a period of 48 months after February 28, 2018 at a price of \$0.10 per Warrant (subject to adjustment in certain circumstances). During the quarter ending September 30,2018, the Company issued 562,500 common shares for gross proceeds of \$56,250 pursuant to the exercise of 562,500 Warrants.

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

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

5. Loans and financing (continued):

(a) Convertible Debentures (continued):

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

The interest on the Debentures is payable in cash on a semi-annual basis in arrears (February 28 and August 28). An amount sufficient to satisfy the interest payments for the first year has been set aside and held in escrow by the Company from the proceeds raised. On August 28, 2018, the Company issued semi-annual interest payments totaling \$249,383.

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

(b) Western Innovation Initiative loans:

	Loan	Discount	Net Book Value
February 28, 2017	\$ 1,600,000	\$ (376,707)	\$ 1,223,293
Accretion	-	55,390	55,390
December 31, 2017	\$ 1,600,000	\$ (321,317)	\$ 1,278,683
Proceeds	77,229	(20,961)	56,268
Repayment	(120,756)	-	(120,756)
Accretion	-	49,851	49,851
September 30, 2018	\$ 1,556,473	\$ (292,427)	\$ 1,264,046

On June 20, 2014, the Company entered into a Western Innovation Initiative Agreement with Western Economic Diversification Canada (the "WINN" agreement). The WINN agreement provides the Company with an interest-free, repayable contribution from the government not to exceed \$1,600,000. Funds provide matching financial contribution towards the Company's development and commercialization of its bioplastic products. Such funds were to be repaid monthly over five years commencing November 1, 2017 in 60 consecutive instalments of \$26,667. On October 31, 2017, the Company re-negotiated the repayment term to commence on June 1, 2018 in 53 consecutive monthly instalments of \$30,189. On October 4, 2018, the Company re-negotiated the repayment term of the outstanding balance of \$1,479,244 to 12 consecutive monthly instalments of \$12,000 commencing November 1, 2018, 35 consecutive monthly instalments of \$37,050 commencing November 1, 2019 and one final instalment of \$38,494, due October 1, 2022.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

5. Loans and financing (continued):

(b) Western Innovation Initiative loans (continued):

As the funds were advanced, the Company recognized a gain and discounted the WINN loan by \$376,707 as a result of the imputed interest benefit received from the interest-free WINN loan.

The total amount of undiscounted future cash flows required to settle the first WINN obligation at September 30, 2018 was \$1,479,244 (December 31, 2017 - \$1,600,000). The future cash flows have been discounted using a rate of 8.20%.

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

The Company received loan proceeds of \$77,229 under the second WINN agreement during the quarter ending September 30, 2018. The Company recognized a gain and discounted the second WINN loan by \$20,961 as a result of the imputed interest benefit received from the interest-free loan.

(c) Comerica credit facility:

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

Under terms of the Supplemental Loan Agreement, beginning on October 1, 2016, the principal amount was to be paid in 22 equal monthly instalments of \$25,000 plus accrued interest thereon at a rate of Canadian LIBOR plus 2.5%. Once repaid, amounts advanced under the Term Loan may not be re-borrowed. The Company could prepay any portion of the Term Loan without penalty or premium.

On June 28, 2017, the two parties entered into a Third Supplemental Loan Agreement which permitted a 5-month deferment of principal payments to December 1, 2017. At such time, the Company will repay the remaining outstanding balance of the loan in equal monthly principal installments of \$40,615 per month until term. The Company received a further deferment of the principal amount through May 1, 2018 as it is in negotiations with Comerica to convert the Term Loan into a revolving line of credit with appropriate increases to fund operational growth.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

5. Loans and financing (continued):

(c) Comerica credit facility:

During June 2018, the Company entered into a Fourth Supplemental Loan Agreement with Comerica to continue interest only payments on the outstanding term loan through June 3, 2019 when the loan becomes fully due and payable. The Company has pledged \$325,000 in cash collateral for the remaining term of the loan.

During the nine months ended September 30, 2018, no repayments of the Term Loan were made (Ten months fiscal year ending December 31, 2017, \$100,000). During the nine months ended September 30, 2018, the Company incurred interest expense of \$10,924 (Ten month fiscal year ending December 31, 2017 - \$15,444).

The Supplemental Loan Agreement amongst other things also requires that the Company maintain \$325,000 in a restricted cash account at all times, and that it maintains all of its depository and operating accounts and its primary investment accounts with Comerica. As at September 30, 2018, the Company was in compliance with all covenants under the Facility and Supplemental Loan Agreement.

6. Share capital and share-based payments:

(a) Common and preferred share capital:

Authorized and issued:

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value, issuable in series.

As at September 30, 2018, 94,350,686 common shares were issued and outstanding (December 31, 2017– 93,452,354).

Private placements:

From July 31,2017 to November 20, 2017, the Company completed four tranches of a private placement totaling 17,541,000 units at a price of \$0.10 per unit for gross proceeds of \$1,754,100. Related party participation in the private placement totaled 1,699,500 units. Each unit is comprised of one common share and one common share warrant of the Company. Each warrant entitles its holder to acquire one share of the Company at a price of \$0.15 per share within the 24-month period following the closing of the respective tranche. The Company paid cash commission, legal and other related fees totaling \$217,805 and also granted 1,094,670 non-transferable two-year broker warrants to acquire 1,094,670 units of the Company at a price of \$0.10 per unit. The fair value at grant date of the broker warrants issued was \$44,010 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 \$0.20 on the TSX-Venture Exchange on any 20 non-consecutive trading days. If the acceleration right is exercised by the Company, the Warrants will expire on the 20th business day following the date that notice of acceleration is sent to the Warrant holders.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

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

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

On May 5, 2017, the Company completed a private placement totaling 1,892,197 units at a price of \$0.15 per unit for gross proceeds of \$283,830. Each unit is comprised of one common share and one common share warrant of the Company. Each warrant entitles its holder to acquire one share of the Company at a price of \$0.20 per share within the 24-month period following the closing of the private placement. The Company paid commission and other fees recorded as share issue costs of \$14,078 and also granted 44,000 non-transferable two-year broker warrants to acquire 44,000 units of the Company at a price of \$0.15 per unit. The fair value at grant date of the broker warrants issued was \$2,777 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 which included the broker warrants were as follows:

	Nine months ending	Ten months ending
	September 30, 2018	December 31, 2017
Risk-free interest rate	1.25%	1.2 to 1.5%
Dividend yield	0.0%	0.0%
Expected life (years)	3 to 4	2
Volatility	106%	106.2 to 108.9%
Forfeiture rate	0.0%	0.0%
Share price at grant date	\$0.10	\$0.09 to \$0.14

Shares for debt settlement:

During the nine months ended September 30, 2018, the Company issued 202,500 shares at a price of \$0.11 per share to settle outstanding indebtedness of \$21,750.

During the ten months ended December 31, 2017, the Company issued 1,104,500 shares at a price of \$0.10 per share to settle outstanding indebtedness of \$110,450.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

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

(b) Share options:

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

		Weighted average
	Options	exercise price
Outstanding as at February 28, 2017	3,652,131	\$ 0.21
Issuance of options	3,536,663	0.15
Outstanding as at December 31, 2017	7,188,794	\$ 0.18
Issuance of options	100,000	0.15
Forfeiture of options	(50,000)	0.15
Outstanding as at September 30, 2018	7,238,794	\$ 0.18
Exercisable as at September 30, 2018	4,682,533	\$ 0.19

Information about the Company's stock options outstanding and exercisable as at September 30, 2018 is as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted average remaining contractual life (in years)
April 2, 2020	500,000	500,000	\$ 0.25	1.51
January 1, 2023	46,630	46,630	0.25	4.26
October 11, 2023	11,658	11,658	0.25	5.03
September 2, 2024	29,144	27,312	0.25	5.93
September 17, 2024	142,857	142,857	0.18	5.97
April 2, 2025	104,918	104,918	0.25	6.51
April 20, 2025	61,924	49,022	0.28	6.56
July 16, 2025	1,100,000	937,546	0.20	6.80
August 3, 2025	350,000	350,000	0.19	6.85
February 25, 2026	1,305,000	1,190,430	0.20	7.41
May 5, 2027	3,486,663	944,309	0.15	8.60
July 11, 2028	100,000	100,000	0.15	9.80
	7,238,794	4,304,682	\$ 0.20	7.39

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

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

(b) Share options (continued):

The fair values of options granted during the nine months ended September 30, 2018 and ten months ended December 31, 2017 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 were as follows:

	Nine months ending September 30, 2018	Ten months ending December 31, 2017
Risk-free interest rate	1.5%	1.5%
Dividend yield	0.0%	0.0%
Expected life (years)	10	10
Volatility	72.3%	72.3%
Forfeiture rate	0.0%	0.0%
Share price at grant date	\$0.15	\$0.14

(c) Share purchase warrants:

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

Each Warrant entitles the holder thereof to purchase one common share of the Company for a period of 48 months after February 28, 2018 at a price of \$0.10 per Warrant (subject to adjustment in certain circumstances). During the quarter ending September 30, 2018, the Company issued 562,500 common shares for gross proceeds of \$56,250 pursuant to the exercise of 562,500 Warrants.

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

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

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

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

(c) Share purchase warrants (continued):

From July 31,2017 to November 20, 2017, the Company completed four tranches of a private placement totaling 17,541,000 units at a price of \$0.10 per unit for gross proceeds of \$1,754,100. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles its holder to acquire one additional share of the Company at a price of \$0.15 per share within the 24-month period following the closing of the respective tranche. Related to the placements, the Company granted 1,094,670 non-transferable two-year broker warrants to acquire 1,094,670 units of the Company at a price of \$0.10 per unit. The total fair value at grant date of the broker warrants issued was \$29,688.

On May 5, 2017, the Company completed a private placement totaling 1,892,197 units at a price of \$0.15 per unit for gross proceeds of \$283,830. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each Warrant entitles its holder to acquire one additional Share of the Company at a price of \$0.20 per Share. Related to the placement, the Company granted 44,000 non-transferable two-year broker warrants to acquire 44,000 units of the Company at a price of \$0.15 per unit. The total fair value at grant date of the broker warrants issued was \$1,815.

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

	Warrants	Weighted average exercise price
Outstanding as at February 28, 2017	26,388,362	\$ 0.25
Issuance of warrants	19,433,197	0.15
Issuance of warrants to brokers	1,138,670	0.10
Expiry of warrants	(625,008)	0.25
Outstanding as at December 31, 2017	46,335,221	\$ 0.21
Issuance of warrants	7,573,500	0.10
Issuance of warrants to brokers	2,239,867	0.15
Exercise of warrants	(562,500)	0.10
Expiry of warrants	(9,491,441)	0.34
Outstanding as at September 30, 2018	46,094,647	\$ 0.16

Subsequent to the quarter end, 6,563,483 warrants with an average price of \$0.20 expired.

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

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

(c) Share purchase warrants (continued):

Expiry Date	Warrants Outstanding	Exercise Price	Weighted average remaining contractual life (in years)
October 20, 2021	52,231	\$ 0.19	3.06
November 10, 2018	6,382,154	0.20	0.11
November 10, 2018	181,329	0.15	0.11
December 21, 2018	8,961,616	0.20	0.22
December 21, 2018	694,583	0.15	0.22
May 5, 2019	1,892,197	0.20	0.59
May 5, 2019	44,000	0.15	0.59
July 31, 2019	5,000,000	0.15	0.83
July 31, 2019	316,400	0.10	0.83
August 28, 2019	10,538,500	0.15	0.91
August 28, 2019	638,195	0.10	0.91
October 5, 2019	372,500	0.15	1.01
October 5, 2019	26,075	0.10	1.01
November 20, 2019	1,630,000	0.15	1.14
November 20, 2019	114,000	0.10	1.14
February 28, 2022	7,011,500	0.10	3.42
February 28, 2023	2,239,867	0.15	2.42
	46,094,647	\$ 0.16	1.10

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

	Nine months ending	Ten months ending
	September 30, 2018	December 31, 2017
Risk-free interest rate	1.25%	1.2 to 1.5%
Dividend yield	0.0%	0.0%
Expected life (years)	3 to 4	2
Volatility	106%	106.2 to 108.9%
Forfeiture rate	0.0%	0.0%
Share price at grant date	\$0.10	\$0.09 to \$0.14

Notes to Condensed Consolidated Interim Financial Statements Nine months ended September 30, 2018 and August 31, 2017 (Expressed in Canadian dollars) (Unaudited)

7. Selling, general, and administrative:

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

	Nine months ended	
	September 30,	August 31,
	2018	2017
Salaries	\$ 840,342	\$ 797,005
Selling and G&A costs	763,958	863,591
Outsource supply chain and fulfilment	693,801	728,091
	\$ 2,298,101	\$ 2,388,687

8. Segmented Information:

The Company carries on business in the plant-based packaging and consumer house hold product industry and all sales and costs are made in this segment. The vast majority of the Company's operations are performed within United States & Canada.

Sales in the nine months ended September 30, 2018 from the top five customers amounted to \$2,942,534 which represented 92% of total revenue. In April 2018, the Company announced the completion of a 3+ year agreement to supply a US industry leader in thermoformed packaging which has caused the concentration of sales.

9. Supplementary cash flow information:

	Nine months ended	
	September 30,	August 31,
	2018	2017
Non-cash financing activities		
Shares issued for settlement of accounts payable	\$ 21,750	\$ -