

Interim Condensed Consolidated Financial Statements of

# **IMAFLEX INC.**

For the three and nine-month periods ended September 30, 2021 and 2020

These consolidated quarterly financial statements were not reviewed by our external auditors.

## Consolidated statements of comprehensive income

(in thousands of Canadian dollars, except per share data)

(unaudited)

for the	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues (Note 3.1)	\$ 29,459	\$ 22,904	\$ 81,770	\$ 64,742
Cost of sales	25,063	18,519	68,272	52,687
Gross profit	4,396	4,385	13,498	12,055
Expenses:				
Selling	421	457	1,278	1,335
Administrative	1,385	1,466	3,989	4,362
Finance costs (Note 6)	87	118	313	429
Foreign exchange (gains) losses	(580)	434	97	(432)
Other	21	19	58	68
	1,334	2,494	5,735	5,762
Income before income taxes	3,062	1,891	7,763	6,293
Income taxes	288	655	1,038	1,623
<b>NET INCOME</b>	<b>2,774</b>	<b>1,236</b>	<b>6,725</b>	<b>4,670</b>
<b>Other comprehensive income (loss)</b>				
<b>Item that will be reclassified subsequently to net income</b>				
Exchange differences on translating foreign operations	162	(50)	75	33
<b>COMPREHENSIVE INCOME</b>	<b>\$ 2,936</b>	<b>\$ 1,186</b>	<b>\$ 6,800</b>	<b>4,703</b>
<b>Earnings per share</b> (Note 7)				
Basic	\$ 0.05	\$ 0.02	\$ 0.13	\$ 0.09
Diluted	\$ 0.05	\$ 0.02	\$ 0.13	\$ 0.09

The accompanying notes are an integral part of these interim condensed consolidated financial statements. Note 4 presents additional information on consolidated comprehensive income.

**Consolidated statements of financial position**  
**(in thousands of Canadian dollars) (unaudited)**

As at	September 30, 2021	December 31, 2020
<b>Assets</b>		
<i>Current assets</i>		
Cash	\$ 8,089	\$ 3,219
Trade and other receivables	17,348	11,522
Inventories	13,278	11,651
Prepaid expenses	382	239
Total current assets	39,097	26,631
<i>Non-current assets</i>		
Property, plant and equipment (Note 8)	24,927	25,863
Intangible assets	1,841	1,568
Total non-current assets	26,768	27,431
Total assets	\$ 65,865	\$ 54,062
<b>Liabilities and equity</b>		
<i>Current liabilities</i>		
Bank indebtedness (Note 9)	1,898	-
Trade and other payables	10,750	6,115
Current tax liabilities	748	997
Long-term debt, current portion (Note 9)	1,982	1,882
Lease obligations, current portion (Note 9, 10)	930	824
Total current liabilities	16,308	9,818
<i>Non-current liabilities</i>		
Long-term debt (Note 9)	4,001	5,493
Deferred tax liabilities	1,155	1,186
Lease obligations (Note 9, 10)	948	1,587
Total non-current liabilities	6,104	8,266
Total liabilities	22,412	18,084
<i>Equity</i>		
Share capital (Note 11)	12,559	11,901
Reserves	2,235	2,143
Retained earnings	28,659	21,934
Total equity	43,453	35,978
Total liabilities and equity	65,865	\$ 54,062

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

(s) Joseph Abbandonato  
Joseph Abbandonato  
Director

(s) Mario Settino  
Mario Settino  
Director

**Consolidated statements of changes in equity**  
**For the three-month periods ended September 30, 2021 and 2020**  
**(in thousands of Canadian dollars) (unaudited)**

	Reserves						
	Share capital (a)	Share-based compensation	Accumulated foreign currency translation	Warrants	Total reserves	Retained earnings	Total
<b>Balance at July 1, 2020</b>	11,901	1,165	681	465	2,311	19,019	33,231
Net income for the period	-	-	-	-	-	1,236	1,236
Exchange differences on translating foreign operations	-	-	(50)	-	(50)	-	(50)
Comprehensive income for the period	-	-	(50)	-	(50)	1,236	1,186
Transactions with owners:							
Share-based compensation (Note 12)	-	16	-	-	16	-	16
<b>Balance at September 30, 2020</b>	<b>\$11,901</b>	<b>\$ 1,181</b>	<b>\$ 631</b>	<b>\$ 465</b>	<b>\$ 2,277</b>	<b>\$ 20,255</b>	<b>\$ 34,433</b>
<b>Balance at July 1, 2021</b>	<b>\$11,999</b>	<b>\$1,207</b>	<b>\$ 398</b>	<b>\$ 465</b>	<b>\$ 2,070</b>	<b>\$ 25,885</b>	<b>\$ 39,954</b>
Net income for the period	-	-	-	-	-	2,774	2,774
Exchange differences on translating foreign operations	-	-	162	-	162	-	162
Comprehensive income for the period	-	-	162	-	162	2,774	2,936
Transactions with owners:							
Issuance of shares (Note 11)	560	-	-	-	-	-	560
Share-based compensation (Note 12)	-	3	-	-	3	-	3
<b>Balance at September 30, 2021</b>	<b>\$12,559</b>	<b>\$ 1,210</b>	<b>\$ 560</b>	<b>\$ 465</b>	<b>\$ 2,235</b>	<b>\$ 28,659</b>	<b>\$ 43,453</b>

(a) Additional detail of share capital is provided in Note 11.

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

**Consolidated statements of changes in equity**  
**For the nine-month periods ended September 30, 2021 and 2020**  
**(in thousands of Canadian dollars) (unaudited)**

	Reserves						
	Share capital (a)	Share-based compensation	Accumulated foreign currency translation	Warrants	Total reserves	Retained earnings	Total
<b>Balance at January 1, 2020</b>	11,875	1,149	598	465	2,212	15,585	29,672
Net income for the period	-	-	-	-	-	4,670	4,670
Exchange differences on translating foreign operations	-	-	33	-	33	-	33
Comprehensive income for the period	-	-	33	-	33	4,670	4,703
Transactions with owners:							
Issuance of shares (Note 11)	26	-	-	-	-	-	26
Share-based compensation (Note 12)	-	32	-	-	32	-	32
<b>Balance at September 30, 2020</b>	<b>\$11,901</b>	<b>\$ 1,181</b>	<b>\$ 631</b>	<b>\$ 465</b>	<b>\$ 2,277</b>	<b>\$ 20,255</b>	<b>\$ 34,433</b>
<b>Balance at January 1, 2021</b>	<b>\$11,901</b>	<b>\$1,193</b>	<b>\$ 485</b>	<b>\$ 465</b>	<b>\$ 2,143</b>	<b>\$ 21,934</b>	<b>\$ 35,978</b>
Net income for the period	-	-	-	-	-	6,725	6,725
Exchange differences on translating foreign operations	-	-	75	-	75	-	75
Comprehensive income for the period	-	-	75	-	75	6,725	6,800
Transactions with owners:							
Issuance of shares (Note 11)	658	-	-	-	-	-	658
Share-based compensation (Note 12)	-	17	-	-	17	-	17
<b>Balance at September 30, 2021</b>	<b>\$12,559</b>	<b>\$ 1,210</b>	<b>\$ 560</b>	<b>\$ 465</b>	<b>\$ 2,235</b>	<b>\$ 28,659</b>	<b>\$ 43,453</b>

(a) Additional detail of share capital is provided in Note 11.

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

**Consolidated statements of cash flows**  
**(in thousands of Canadian dollars) (unaudited)**

for the	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Operating activities:</b>				
Net income for the period	\$ 2,774	\$ 1,236	\$ 6,725	\$ 4,670
Income tax expense	288	655	1,038	1,623
Depreciation and amortisation of non-current assets	921	944	2,724	2,820
Finance costs	87	118	313	429
Share-based compensation	3	16	17	32
Unrealized foreign exchange (gain) loss	(589)	402	26	(496)
	<b>3,484</b>	<b>3,371</b>	<b>10,843</b>	<b>9,078</b>
Net changes in working capital				
Increase in trade and other receivables	(911)	(411)	(5,765)	(1,173)
Decrease (increase) in inventories	1,301	(81)	(1,595)	415
Decrease (increase) in prepaid expenses	81	(101)	(143)	(214)
Increase in trade and other payables	52	1,517	4,594	2,713
	<b>523</b>	<b>924</b>	<b>(2,909)</b>	<b>1,741</b>
Cash generated by operating activities	<b>4,007</b>	<b>4,295</b>	<b>7,934</b>	<b>10,819</b>
Net income taxes paid	(386)	(240)	(1,316)	(1,028)
<b>Net cash generated by operating activities</b>	<b>3,621</b>	<b>4,055</b>	<b>6,618</b>	<b>9,791</b>
<b>Investing activities:</b>				
Payments for tangible and intangible assets	(469)	(524)	(1,722)	(968)
<b>Net cash used in investing activities</b>	<b>(469)</b>	<b>(524)</b>	<b>(1,722)</b>	<b>(968)</b>
<b>Financing activities:</b>				
Net change in bank indebtedness	824	(1,029)	1,898	(4,538)
Issuance of share capital	560	-	658	26
Interest paid	(87)	(118)	(313)	(429)
Repayment of long-term debt	(488)	(271)	(1,392)	(807)
Repayment of leases	(305)	(280)	(875)	(831)
<b>Net cash generated by (used in) financing activities</b>	<b>504</b>	<b>(1,698)</b>	<b>(24)</b>	<b>(6,579)</b>
<b>Net increase in cash</b>	<b>3,656</b>	<b>1,833</b>	<b>4,872</b>	<b>2,244</b>
Cash, beginning of the period	4,431	471	3,219	61
Effects of foreign exchange differences on cash	2	(9)	(2)	(10)
<b>Cash, end of period</b>	<b>\$ 8,089</b>	<b>\$ 2,295</b>	<b>\$ 8,089</b>	<b>\$ 2,295</b>

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

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**1. General information**

Imaflex Inc. (the “Parent Company”) is incorporated under the Canada Business Corporations Act. Its registered office and headquarters are located at 5710 Notre-Dame Street West, Montreal, Quebec, Canada. The principal activities of the Parent Company and its subsidiary (together referred to as the “Company”) consist in the manufacture and sale of products for the flexible packaging industry, including polyethylene film and bags, as well as the metallization of plastic film for the agriculture and packaging industries. The common shares of the Parent Company are listed for trading on the TSX Venture Exchange under the symbol “IFX”.

**2. Significant accounting policies**

**2.1 Basis of Presentation**

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements were prepared using the same basis of presentation and accounting policies as outlined in Note 2, *Significant accounting policies* of our Consolidated financial statements for the years ended December 31, 2020 and 2019. These interim condensed consolidated financial statements do not include all the notes and disclosures required in annual financial statements. All amounts are in Canadian dollars, except where noted.

The interim condensed consolidated financial statements were approved by the board of directors and authorized for issue on November 23, 2021.

**3. Segment information**

The Company operates in one reportable segment, comprising the development, manufacture and sale of flexible packaging material in the form of film or bags, for various uses.

**3.1 Revenues by geographical end market**

The Company’s revenues by geographical end market are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Canada	\$ 8,891	\$ 7,054	\$ 26,734	\$ 22,562
United States	20,568	15,850	55,036	42,180
Total	\$ 29,459	\$ 22,904	\$ 81,770	\$ 64,742

**3.2 Property, plant and equipment and intangible assets per geographic location**

	September 30, 2021	December 31, 2020
Canada	\$ 8,314	\$ 8,089
United States	18,454	19,342
Total	\$ 26,768	\$ 27,431

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

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**4. Additional information on the consolidated statements of comprehensive income**

The Company's consolidated statements of comprehensive income include depreciation of production assets and accessories of \$0.9 million for the quarter ended September 30, 2021 (\$0.9 million in 2020) and \$2.6 million for the nine-month period ended September 30, 2021 (\$2.6 million in 2020) classified in Cost of sales, which includes the depreciation for right-of-use assets of \$0.3 million for the quarter (\$0.3 million in 2020) and \$0.8 million for the nine-month period (\$0.8 million in 2020). Depreciation of other property, plant and equipment and amortisation of intangible assets amounting to \$0.1 million for the quarter ended September 30, 2021 (\$0.1 million in 2020) and \$0.2 million for the nine-month period ended September 30, 2021 (\$0.2 million in 2020) is included in Administrative expenses.

The Company's consolidated statements of comprehensive income include salaries paid to its employees of \$2.4 million for the quarter ended September 30, 2021 (\$2.3 million in 2020) and \$7.3 million for the nine-month period ended September 30, 2021 (\$7.3 million in 2020) classified in Cost of sales. Administrative expenses include salaries paid to employees of \$0.4 million for the quarter ended September 30, 2021 (\$0.5 million in 2020) ) and \$1.4 million for the nine-month period ended September 30, 2021 (\$1.4 million in 2020). Selling expenses include salaries paid to employees of \$0.1 million for the quarter ended September 30, 2021 (\$0.1 million in 2020) and \$0.3 million for the nine-month period ended September 30, 2021 (\$0.3 million in 2020).

**5. Employee benefits**

The Company contributes to state-run pension plans, employment insurance, group insurance and social security for its employees. The costs incurred for the employee benefits noted above amounted to \$0.9 million for the quarter ended September 30, 2021 (\$0.7 million in 2020) and \$2.0 million for the nine-month period ended September 30, 2021 (\$2.1 million in 2020). These payments are expensed as incurred and the Company does not recognise any gains or losses subsequent to the payment of these benefits.

The Company also offered a defined contribution employee benefit plan to its employees located in North Carolina, USA. For the quarter ended September 30, 2021, the Company contributed \$nil to this plan (\$7 thousand in 2020) and \$13 thousand during the nine-month period ended September 30, 2021 (\$21 thousand in 2020).

**6. Finance costs**

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest on bank indebtedness and long-term debt	\$ 71	\$ 76	\$ 223	\$ 296
Interest on lease obligations	16	42	90	133
	<b>\$ 87</b>	<b>\$ 118</b>	<b>\$ 313</b>	<b>\$ 429</b>

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

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**7. Earnings per share**

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income for basic and diluted earnings per share	\$ 2,774	\$ 1,236	\$ 6,725	\$ 4,670
Weighted average number of common shares outstanding	50,715	50,063	50,479	50,033
Dilutive effect of share purchase options	936	617	1,118	554
Diluted weighted average common shares outstanding	51,651	50,680	51,597	50,587
Basic earnings per common share	\$ 0.05	\$ 0.02	\$ 0.13	\$ 0.09
Diluted earnings per common share	\$ 0.05	\$ 0.02	\$ 0.13	\$ 0.09

600,000 stock options outstanding as at September 30, 2020 were not included in the calculation of earnings per share because they were antidilutive, nil for the period ended September 30, 2021.

**8. Property, plant and equipment**

	Land	Building	Production equipment	Leasehold improvements	Office equipment	Computer equipment	Rolling Stock	Total
<b>Cost</b>								
January 1, 2020	22	3,740	\$ 60,686	\$ 2,854	\$ 94	\$ 556	\$ 264	\$ 68,216
Additions	-	-	1,174	43	-	28	-	1,245
Disposals	-	-	(225)	-	-	-	-	(225)
Foreign exchange	(0)	(13)	(575)	(24)	(1)	(1)	(1)	(615)
December 31, 2020	\$ 22	\$ 3,727	\$ 61,060	\$ 2,873	\$ 93	\$ 583	\$ 263	\$ 68,621
Addition	-	349	1,254	119	-	44	-	1,766
Foreign exchange	-	1	25	1	-	-	-	27
September 30, 2021	22	4,077	62,339	2,993	93	627	263	70,414
<b>Accumulated depreciation</b>								
January 1, 2020	-	(943)	(35,612)	(2,454)	(54)	(537)	(42)	(39,642)
Amortisation	-	(938)	(2,373)	(143)	(9)	(26)	(46)	(3,535)
Disposals	-	-	60	-	-	-	-	60
Foreign exchange	-	21	315	21	0	1	1	359
December 31, 2020	-	(1,860)	(37,610)	(2,576)	(63)	(562)	(87)	(42,758)
Amortisation	-	(748)	(1,800)	(93)	(8)	(7)	(36)	(2,692)
Foreign exchange	-	(5)	(31)	(1)	-	-	-	(37)
September 30, 2021	-	(2,613)	(39,441)	(2,670)	(71)	(569)	(123)	(45,487)
<b>Net book value, as at</b>								
December 31, 2020	\$ 22	\$ 1,867	\$ 23,450	\$ 297	\$ 30	\$ 21	\$ 176	\$ 25,863
September 30, 2021	\$ 22	\$ 1,464	\$ 22,898	\$ 323	\$ 22	\$ 58	\$ 140	\$ 24,927

A portion of the Company's production equipment with a carrying amount of approximately \$ 15.5 million (approximately \$15.3 million as at December 31, 2020) is pledged as collateral for the Company's long-term debt.

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**8. Property, plant and equipment (continued)**

Included in the net carrying amount of property, plant and equipment as at September 30, 2021 and December 31, 2020 are right-of-use assets as follows:

	September 30, 2021	December 31, 2020
Buildings	\$ 1,384	\$ 1,783
Production equipment	270	293
Rolling stock	132	171
Office equipment	15	23
<b>Total right-of-use asset</b>	<b>\$ 1,801</b>	<b>\$ 2,270</b>

**9. Borrowings**

	September 30, 2021	December 31, 2020
Bank indebtedness (a)	\$ 1,898	\$ -
Long-term debt		
Loan, bearing interest at the lender's base rate minus 0.5% (effective rate of 4.05% as at September 30, 2021 and as at December 31, 2020), secured by production equipment having a net book value of approximately \$6.4 million. (b)	811	1,176
Loan, bearing interest at a fixed rate of 3.746% secured by a \$3.6 million hypothec on a piece of equipment. (c)	2,305	2,827
Loan, bearing interest at a fixed rate of 3.75% secured by a \$3.3 million hypothec on a piece of equipment. (d)	2,149	2,622
Loan, bearing interest at the lender's base rate plus 0.40%, (effective rate of 4.95% as at September 30, 2021 and December 31, 2020) secured by production equipment having a net book value of approximately \$6.4 million. (e)	718	750
<b>Total long-term debt</b>	<b>5,983</b>	<b>7,375</b>
Lease obligations	1,878	2,411
<b>Total borrowings</b>	<b>9,759</b>	<b>9,786</b>
Current		
Bank indebtedness	\$ 1,898	\$ -
Long-term debt, current portion	1,982	1,882
Lease obligations, current portion	930	824
	<b>4,810</b>	<b>2,706</b>
Non-current		
Long-term debt	4,001	5,493
Lease obligations	948	1,587
	<b>4,949</b>	<b>7,080</b>
<b>Total borrowings</b>	<b>\$ 9,759</b>	<b>\$ 9,786</b>

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**9. Borrowings (continued)**

Interest on long-term debt amounted to \$62 thousand for the quarter ended September 30, 2021 (\$72 thousand in 2020) and \$197 thousand for the nine-month period ended September 30, 2021 (\$233 thousand in 2020).

- (a) The Company has an operating line of credit with its bankers to a maximum of \$12.0 million, bearing interest at prime plus 0.40% as at September 30, 2021 and December 31, 2020 for an effective interest rate of 2.85% as at September 30, 2021 and December 31, 2020. The line of credit is secured by trade receivables and inventories. The line of credit may be reviewed periodically by the bank and is repayable on demand. The operating line of credit is subject to working capital and debt to equity covenants (as defined in the lending agreement), all of which were respected as at September 30, 2021 and December 31, 2020. As at September 30, 2021, the Company had drawn \$1.9 million on the line of credit, whereas the Company was not drawing any amounts on the line of credit on December 31, 2020.
- (b) The loan is repayable in monthly instalments of \$41 thousand until May 2023.
- (c) The loan is repayable in blended monthly instalments of \$66 thousand through October 2024. This loan is secured by a hypothec on a specific piece of equipment of the Company.
- (d) The loan is repayable in blended monthly instalments of \$60 thousand through November 2024. This loan is secured by a hypothec on a specific piece of equipment of the Company.
- (e) This loan bears interest at the lender's base rate plus 0.40% and is repayable in one payment of \$11 thousand in July 2021 followed by 71 monthly payments of \$10 thousand through June 2027.

The aggregate scheduled repayment of long-term debt is as follows:

Not later than one year	<b>\$ 1,982</b>
Later than one year and not later than five years	<b>3,908</b>
Later than 5 years	<b>93</b>
	<b>\$ 5,983</b>

**10. Lease obligations**

The Company has entered into certain lease agreements. Lease payments are due as follows:

Not later than one year	<b>\$ 1,016</b>
Later than one year and not later than five years	<b>971</b>
Total minimum lease payments	<b>1,987</b>
Less amount representing interest	<b>(109)</b>
Present value of minimum lease payments	<b>1,878</b>
Less the long-term portion	<b>(948)</b>
Current portion of obligations under leases	<b>\$ 930</b>

Lease obligations reflect the renewal of the lease for the Company's facilities located in North Carolina for an amount of \$ 349 thousand during the nine-month period ended September 30, 2021.

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**11. Share capital**

The Company's authorized share capital consists of an unlimited number of common shares, voting, participating, without par value. As at September 30, 2021, there were 51,638,637 common shares outstanding (50,063,637 as at September 30, 2020 and December 31, 2020).

During the nine-month period ended September 30, 2021, the Company issued 50,000 common shares following the exercise of options issued on November 29, 2018 for cash consideration of \$38 thousand, 150,000 shares for cash consideration of \$60 thousand following the exercise of options issued on June 21, 2016, 500,000 shares for cash consideration of \$210 thousand following the exercise of options issued on September 6, 2016 and 875,000 shares for cash consideration of \$350 thousand following the exercise of options issued on June 21, 2016.

During the nine-month period ended September 30, 2020, the Company issued 50,000 shares for cash consideration of \$26 thousand following the exercise of options issued on June 16, 2015.

**12. Share-based compensation**

Pursuant to the Stock Option Plan (the "Plan") of the Company, 4,973,860 of the common shares are reserved for options. The Plan provides that the term of the options shall be fixed by directors. Officers and employees of the Company are eligible to receive options. Options are granted at an exercise price of not less than the fair value of the Company's shares on the date the options are granted. Options may be exercisable for a period no longer than five (5) years and the exercise price must be paid in full upon exercise of the option.

The expense related to share-based compensation totalled \$3 thousand for the quarter ended September 30, 2021 (\$16 thousand in 2020) and \$17 thousand for the nine-month period ended September 30, 2021 (\$32 thousand in 2020).

The following are the assumptions used in order to value the options as well as general information on each outstanding option grant:

	26/08/2020	10/09/2019	29/11/2018	29/11/2017	22/06/2017	06/09/2016	21/06/2016	Total
Outstanding as at 31/12/2020	150,000	100,000	250,000	150,000	50,000	500,000	1,025,000	2,225,000
Exercised <sup>(1)</sup>	-	-	(50,000)	-	-	(500,000)	(1,025,000)	(1,575,000)
Outstanding as at 30/09/2021	150,000	100,000	200,000	150,000	50,000	-	-	650,000
Outstanding as at 30/09/2020	150,000	100,000	250,000	150,000	50,000	500,000	1,025,000	2,225,000
Exercisable as at 30/09/2021	112,500	100,000	200,000	150,000	50,000	-	-	612,500
Exercisable as at 30/09/2020	37,500	75,000	250,000	150,000	50,000	500,000	1,025,000	2,087,500
Remaining life of options (yrs)	3.91	2.95	2.16	1.16	0.73	-	-	
Fair value assumptions :								
Expected life of options (yrs)	2.5 to 3.25	2.75 to 3.5						
Expiry <sup>(2)</sup>	26/08/2025	10/09/2024	29/11/2023	29/11/2022	22/06/2022	06/09/2021	21/06/2021	
Expected share price volatility	57.82% - 60.98%	61.21% - 64.47%	67.14% - 70.41%	79.13% - 80.17%	80.01% - 83.03%	76.59% - 79.60%	75.95% - 82.15%	
Dividend yield	0%	0%	0%	0%	0%	0%	0%	
Risk free rate	0.41%	1.44%	2.23%	1.62%	1.15%	0.51%	0.50%	
Exercise price	\$ 0.73	\$ 0.55	\$ 0.76	\$ 1.11	\$ 1.03	\$ 0.42	\$ 0.40	
Share price on grant date	\$ 0.73	\$ 0.55	\$ 0.76	\$ 1.11	\$ 1.03	\$ 0.42	\$ 0.40	
Fair value of option at grant	\$ 0.28	\$ 0.30	\$ 0.35	\$ 0.57	\$ 0.53	\$ 0.21	\$ 0.21	

<sup>(1)</sup> The fair value of the shares at the exercise date was \$1.10 per share for the 50,000 options issued on November 29, 2018, \$1.38 for the 150,000 options issued on June 21, 2016, \$1.50 for the 500,000 options issued on September 6, 2016 and \$1.42 and \$1.35 for the 875,000 options issued on June 21, 2016 exercised on 2 dates.

<sup>(2)</sup> The expiry date of the options issued on June 21, 2016 was extended to September 6, 2021

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**12. Share-based compensation (continued)**

The expected volatility was calculated using the average closing price change of the Company's shares on the TSX Venture Exchange over the expected life of the options.

**13. Financial instruments**

**13.1 Fair value and classification of financial instruments**

	Carrying amount		Fair Value	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash	\$ 8,089	\$ 3,219	\$ 8,089	\$ 3,219
Trade and other receivables <sup>(1)</sup>	16,952	11,282	16,952	11,282
	<b>25,041</b>	14,501	<b>25,041</b>	14,501
<b>Financial liabilities</b>				
<b>Financial liabilities, at amortised cost</b>				
Bank indebtedness	1,898	-	1,898	-
Trade and other payables <sup>(2)</sup>	9,503	4,774	9,503	4,774
Long-term debt	5,983	7,375	6,016	7,470
	<b>17,384</b>	12,149	<b>17,417</b>	12,244

<sup>(1)</sup> Excludes sales taxes

<sup>(2)</sup> Excludes employee benefits

Fair value estimates are made as of the date of the consolidated statement of financial position, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of cash, trade and other receivables, bank indebtedness, short-term borrowings and trade and other payables approximates their respective carrying amounts as at the date of the consolidated statement of financial position because of the short-term maturity of those instruments.
- The fair value of long-term debt that bears interest at floating rates approximates its carrying value as the interest rate applicable to the loan reflects the latest market rates whereas long term debt that bears interest at fixed rates is estimated using a discounted cash flows approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risks.

The Company ensures, to the extent possible, that its valuation techniques and assumptions incorporate all factors that market participants would consider in setting a price and that it is consistent with accepted economic methods for pricing financial instruments.

**Notes to the interim condensed consolidated financial statements  
for the three and nine-month periods ended September 30, 2021 and 2020**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

**13. Financial instruments (continued)**

**13.2 Fair value hierarchy**

The Company categorizes its financial instruments into a three-level fair value measurement hierarchy as follows:

Level-1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level-2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level-3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2021 and December 31, 2020, the fair values of long-term debt and lease obligations are categorised as Level 2.

**14. Non-cash transactions**

The financial statements for the period ended September 30, 2021 reflect the renewal of a production facility lease which came to term on December 31, 2020 for an amount of \$349 thousand.