FRX POLYMERS, INC.

Management Discussion and Analysis

December 31, 2020

Contents

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Introduction

FRX Polymers Inc. ("FRX", "Company"), was formed as FRX Polymers Inc under Delaware Corporate Law on December 27, 2006. The Company manufactures polyphosphate polymers that are inherently flame retardant and sold under its Nofia® product line. These polymers are intended to be used as additives by manufacturers that make products that have desirability or requirement for flame retardancy. In addition, the Company's product line offers a number of desirable secondary properties in defined end use applications, which give the customer the opportunity to produce differentiated flame retardant plastic products. The Company has a total of 82 patent applications globally which cover 25 separate patent families. Of the 82 patents referred to, 53 patents have been granted. The remaining patent applications are in process of writing, filing application and pursuing protection with the patent office. The Company operates a full-scale manufacturing plant located on the Port of Antwerp, which is the largest chemical manufacturing cluster in Europe and second in the world.

This management's discussion and analysis ("MD&A") should be read in conjunction with FRX Polymers' audited financial statements and related footnotes as of December 31, 2020, and for the year ended December 31, 2019 is prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS").

FRX Polymers presents its financial statements in United States dollars. In this MD&A, all references to "$" or "dollars" are to United States dollars unless otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Information contained in this MD&A is based on information available to management as of December 31, 2020.

Forward-Looking Statements

This MD&A contains forward-looking statements that relate to management's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Management has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect the FRX Polymers' financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the FRX Polymers' financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the FRX Polymers' expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

Forward-looking statements are based on certain assumptions and analyses made in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors management believes are appropriate. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the FRX Polymers' expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "PART IV - Risk Factors" in the Filing Statement, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although management bases these forward-looking statements on assumptions that it believes are reasonable when made, FRX Polymers cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the FRX Polymers' results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and FRX Polymers undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Operating summary

- During the year, the plant operated safely and zero time lost to accidents and with minimum disruptions to essential operations as a result of the novel coronavirus ("COVID-19") pandemic.
- Polymer production totaled 417,000 Kg compared to 478,000 Kg in the comparable

period in 2019.

• Quality yield averaged 93% compared to 86% in the comparable period in 2019.

• Averaged fastest reaction time in 2020 was 720 min compared to 742 min in 2019. Average batch size was 7,125 Kg in 2020 compared to 6,500 in 2019

The plant availability was 93 % in both 2020 and 2019

Financial Summary

Operating results for the 3 months ended December 31, 2020

For the three months ended December 2020, the cash and equivalent stood at $547,409 (2019 - $2,670,036). A general slowdown attributed to the Covid-19 pandemic resulted in the Corporation drawing down its cash reserve. The negative impact of the pandemic was mitigated in part by instituting cost savings program that enabled it to prevail through the difficult period.

Accounts receivable reached $2,662,809 at the end of the quarter (2019 - $2,164,704). The increase was correlated to the increase sales during the phase of recovery following the initial opening up by businesses around the world subsequent to pandemic lockdowns.

The company continued to focus on optimization at the plant resulting in improved utilization of production resources. This drive contributed to lower inventory level of $1,159,252 (2019 - 1,756,935) contributing to better working capital utilization.

During the quarter, the company successfully issued Convertible Notes to existing shareholders.

Revenue for the quarter was $2,252,344 (2019 -$1,421,263). The increase of $831,080 was driven by the general economic recovery following the initial opening up of businesses post the height of the pandemic.

Operating results for the 12 months ended December 31, 2020

Revenues for the 12 months ended December 31, 2020 of $5,276,839 (2019 - $5,627,208) show a decline of $350,369 (6%) primarily as a result of the significant concentration of its sales in the FR textiles sector (83.6%). Sales of flame retarded textile-based goods were significantly impacted by Covid-19 because the applications for FR textiles are where people gather (commercial buildings, hotels, convention halls, mass transportation, etc.). The Company has begun to shift its focus to other sectors in 2020 and expects its reliance on the Textile market to reduce to 75% in 2021 and lower in 2022 and beyond.

Cost of goods sold increased by $580,000 or 10% as the price of raw material increased. In Q3 of 2020, long term contracts for a secondary source were in place, resulting in an improvement to the inputs pricing. In addition to raw materials pricing, the Company wrote down $424,948 of inventory due to obsolescence resulting in a proportionate increase in cost of goods sold and the decline in the gross margin.

Operating expenses of $3,030,344 (2019 - $4,372,969) represent a 31% decline annually and a 20% reduction when measured against revenue. The key components are:

> Administrative expenses of $1,734,594 (2019 - $2,144,399) represent a decline by $412,000 largely due to staffing and salary reduction.
>
> Research expenses of $840,811 (2019 - $1,362,441) a decline of $521,000 as a result of Covid related cuts.
>
> Sales and marketing of $457,853 (2019 - $886,129) a decline of $408,000 also as a result of action taken by the Company in response to the impact of Covid on demand.

In addition to the factors sited above, the Cares Act of March 27, 2020 and in particular the Paycheck Protection Program (PPP), provided the Company with a forgivable loan of $313,100. The funds were used to pay qualifying payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. Subsequent to the period, all of the amounts were assessed as eligible for forgiven and non repayable.

The Company conducts most of its sales in Euro but reports in USD. During the period the exchange rate of the Euro appreciated from USD$1.11 to USD$1.22, (9.59%) the average rate during the period was USD$1.14 and represents a 1.92% increase from 2019. The net effect of these changes are that assets and liabilities denominated in Euro as translated are 9.59% higher.

The net result of foreign currency fluctuation was a $1,328,027 which was partially offset by translation adjustments of $406,177.

Interest Expense of $1,177,398 (2019 - $3,144,546) a reduction of $1,967,148 or 63% was a key component in improving the overall results of the Company.

Detachable Common stock warrants issued in connection with the Company's 2020 Convertible Note financing and exercisable for a variable number of common shares, were fair valued under Black Scholes pricing model resulted in a charge of $1,990,335 – a non cash expense.

Net Comprehensive loss was $6,593,178 (2019 - $7,634,706) an improvement of 14%

Liquidity and Capital Resources

Working capital of $1,942,416 (2019 – 4,259,845) a decline of $2,317,429 or 54% is largely driven by a $2,122,627 decline in cash as explained below

Cash flow from operations

Net cash used in operations was $2,911,796 (2019 – $5,410,919), notable differentiating drivers were the $1,990,335 charge for common stock warrants, ($1,358,748) unrealized foreign currency gain, a reduction of inventories of $757,580 and an increase of accounts payable of $781,796 non cash items.

Cash flow from investing activities

Capital expenditures in patents and related intangible assets $89,442 (2019 - $197,908) while expenditure on property plant and equipment increased to $55,126 (2019 - $31,913).

Cash flow from financing activities

The Company raised $1,000,000 (2019 - $6,300,000) and incurred of issuances costs $59,250 ((2019 - $100,000) the decline in financing activity was attributed to the uncertainty related in capital markets. In 2019 debt repayments of $1,660,043 were made, there were no such repayment in 2020 as stand-still agreements were implemented with FRX Polymers institutional lenders KBC and UIF on September 30, 2019

The Company has been dependant on external financing, share issuances and government assistance as it strives to achieve economically sustainable operations, which management has calculated would be possible with a improved utilization of its plant. Until this is achieved, management intends to using available det and equity financing including a deferral of principal repayments on its banking debt. At present KBC, the Belgian lender has a standstill on principal repayments in effect until June of 2022.

Selected Annual Information

	2020	2019	2018[1]
Total Revenue	5,276,839	5,627,208	4,703,848
Loss from continuing operations	4,354,823	4,763,847	10,967,214
Loss per share Basic	$ 0.28	n/a[2]	n/a
Loss per share Fully-diluted	$ 0.28	n/a	n/a
Total Assets	27,878,733	29,102,331	30,880,890
Total Non-Current Financial Liabilities	25,253,913	20,051,387	14,764,623

[1] *Amounts in 2018 are based on in US GAAP, and are included for illustrative purposes only*
[2] *During 2019 there was a complete re-organization of the share capital of the Company, negative the usefulness of comparative earnings per share data.*

Commitments and obligations

Off-Balance Sheet Arrangements

The company is party to a claim by the Flemish government with respect to monies received pursuant to a 2014 strategic transformation grant. On November 19, 2020 the responsible government agency reversed its earlier grant decision, set aside its previous inspection conclusions and requested the return of EUR 960,000.

The Company submitted legal briefs on December 15, 2021 and final submissions are due on April 15, 2022. No trial date has been set. In the Company's view, based on the advice of legal council that the retro-active amendment of the grant terms and conditions will ultimately prove to be unsuccessful and accordingly the Company has not made any monetary provisions for a contingent liability. The anticipated legal fees associated with this matter are not viewed as material.

Transactions Between Related Parties

The Company has an administrative services agreement for human resource, IT and other administrative services with a company whose principal owner is the chairman of the Board of the Company. Fees are based on actual services performed and are billed monthly. The Company is responsible for the reasonable and necessary expenses associated with the services provided. Through this arrangement the Company is able to access tailored specialist services on better economic terms than would otherwise be the case.

For the nine months ended September 30, 2021, administrative expenses incurred under this agreement totaled approximately $20,000 and are recorded in operating expenses and remain in accounts payable.

The Company has a service agreement with the previous Chairman of the Board (a stockholder of the Company). For the nine months ended September 30, 2021, expenses incurred under this agreement for services totaled approximately $4,500 Approximately $3,000 of these expenses remain unpaid as of the period end.

Changes in Accounting Policies including Initial Adoption

Historically the company had reported under US and Belgian GAAP, as a result of the specific requirements under the Canadian reporting related to the transaction, the financial statements were prepared in accordance with IFRS. The primary impact of this are as follows:

i. The recognition of right of use assets.
ii. The capitalization of research and development costs that would otherwise have been expensed.
iii. The fair market valuation of former obligations under a royalty payable to UIF. Which has now been converted to a fixed repayment obligation subject to revenue thresholds.

Whilst these do not represent changes in accounting policy that the change in accounting framework does have a material impact on the presentation of the financial statements. Readers are referred to the audited financial statements for the period ended December 31, 2020 with comparative figures for 2019 along with a reconciliation of the changes on the adoption of IFRS, effective January 1, 2019.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalent, trade receivable, trade payables, accrued expenses, notes payable and convertible notes payables and are classified as measured at amortized cost. The carrying amounts of these instruments at September 30, 2021 and December 31, 2020 approximate fair value.

Risk Management

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. Management has identified the principal risks to which the Company is exposed to in ongoing operations described below along with the actions taken to manage them.

Credit Risk - arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Seven customers represented approximately 88% of the outstanding accounts receivable balance as of September 30, 2021. Approximately 95% of sales were to 15 customers for the nine months ended September 30, 2021.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at September 30, 2021, allowance was established for one customer (December 31, 2020: one customer) out of the trade account receivable.

Currency risk - the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. For each 1.00% change in the Euro exchange rate, based on the monetary assets and liabilities held at year end, the Company's net earnings would be impacted by approximately $33,451 (December 31, 2020 - $10,711).

Interest Rate risk - the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate cash flow risk primarily through its floating interest credit facility as the required cash flow to service the debt will fluctuate interest rates change, and in particular the Euribor rate which is used by its European bankers. Fixed-interest instruments are subject to fair value risk. The Company's credit facilities bear variable rate interest. For each 0.25% change in rate, the Company's net earnings would be impact by $27,080 (December 31, 2020 - $28,669).

Other price risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk - the risk that the Company may not have cash to meet financial liabilities as they come due. The Company has sufficient credit facilities to meet its current and long-term financial needs. The Company's liquidity requirements are met through the cash generated from operations and capital raises. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets. At September 30, 2021 the Company had positive working capital of $2,339,782 (December 31, 2020 - $1,942,416).