



Ginger Beef Corporation

A Public Company

GINGER BEEF CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended December 31, 2016 April 28, 2017

INTRODUCTION

How to use this Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") as at April 28, 2017, is intended to help readers understand Ginger Beef Corporation (the "Corporation"), its history, business environment, strategies, performance and risk factors from the viewpoint of management. It should be read in conjunction with the financial statements and the accompanying notes for the years ended December 31, 2016 and 2015. The following comments may contain management estimates of anticipated future trends, activities or results; these are not a guarantee of future performance, since actual results could change due to factors or variables beyond management control.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

Forward Looking Statements

Statements contained in the MD&A, which are not based on historical fact, including without limitation, statements containing the words "may", "will", "plans", "intends", "expects", "projects", "anticipates", "believes", "estimate", "continue" and similar expressions, constitute "forward looking information" within the meaning of applicable Canadian securities laws. Forward looking statements contained in this document may involve, but are not limited to, statements relating to the Corporation's objectives, priorities, strategies, actions, targets, expectations and outlook. Forward looking statements are necessarily based upon assumptions and predictions with respect to the future, including but not limited to the factors referred to below. As a result, forward looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied thereby. These risks, uncertainties and other factors include, but are not limited to, changes in the consumer packaged goods industry and external market factors, as well as the factors referred to in the Corporation's Annual Information Form dated April 28, 2016, and its other filings with the applicable Canadian securities regulatory authorities. In light of these uncertainties, assumptions and risks, readers are cautioned not to place undue reliance on such forward looking statements. Except as required by law, the Corporation assumes no obligation to update or revise such information to reflect later events or developments.

DESCRIPTION OF BUSINESS

The Corporation was incorporated under the Business Corporations Act (Alberta) on April 26, 2000, and was listed on the Canadian Venture Exchange (“CVE”) effective June 1, 2001, as a Capital Pool Company (“CPC”) and was continued on the TSX Venture Exchange (“TSX-V”).

On September 13, 2002, the Corporation changed its name to Ginger Beef Corporation and completed its Qualifying Transaction (the “QT”) to acquire all of the outstanding shares of Ginger Beef Express Ltd. (“Express”). The QT was accounted for as a reverse takeover, and upon approval by the TSX-V, the Corporation began to trade effective September 27, 2002 under the trading symbol “GB”.

Ginger Beef Corporation is a food company based in Calgary, Alberta, which operates through two wholly-owned subsidiaries, Ginger Beef Express Ltd., (“Express”) , Ginger Beef Choice Ltd. (“Choice”) and 1379915 Alberta Ltd (“Crowfoot”). Express oversees a number of franchised take out/delivery service restaurants in Alberta, while Choice produces a number of frozen and ready-to-serve deli Chinese food products for distribution to retail outlets. After the modernization of its facility in the Winter of 2002, the Corporation was certified and granted a license by the Canadian Food Inspection Agency that allows the Corporation to ship its products, fresh or frozen, to all provinces in Canada.

The Corporation has been actively engaged in the development of new food products, as well as in the improvement of its existing product lines in order to increase its market share.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of financial information for the Corporation Products Ltd. for the last four years:

	Years Ended December 31			
	2016	2015	2014	2013
Statement of financial position				
Total assets	2,879,800	2,456,841	2,451,187	2,569,373
Total long-term liabilities (NOTE 1)	269,519	229,049	311,608	391,171
Shareholders' equity	1,972,933	1,750,359	1,598,036	1,671,221
Statement of comprehensive income				
Net sales - deli Chinese food products	5,434,156	5,288,698	5,005,087	4,550,479
Royalties and franchise fees	272,890	262,908	235,611	232,045
Sub-total	5,707,046	5,551,606	5,240,698	4,782,524
Earnings (loss) before deducting interest, income tax and depreciation expenses ("EBITDA") (NOTE 2)	466,931	348,986	86,372	(148,308)
Net income (loss)	222,574	152,323	(57,345)	(248,119)
Per Share Amounts				
EBITDA (NOTE 3)	0.03	0.03	0.01	(0.01)
Net income(loss), basic and diluted	0.02	0.01	(0.00)	(0.02)

NOTE 1:

Includes both current and long-term portions of loans and borrowings.

NOTE 2:

There is no standardized meaning of EBITDA or EBITDA per share under International Financial Reporting Standards ("IFRS") and, therefore, EBITDA and EBITDA per share are non-IFRS financial measures that may not be comparable to similar measures presented by other companies. EBITDA is calculated in the table below and EBITDA per share is calculated by dividing EBITDA by the weighted average number of common shares outstanding during the year.

NOTE 3: EBITDA is reconciled to net income (loss) as follows:

	Years Ended December 31			
	2016	2015	2014	2013
Net income (loss)	222,574	152,323	(57,345)	(248,119)
Add: Interest	10,794	10,963	17,921	21,206
Income taxes (recovery)	80,788	52,700	(18,100)	(94,250)
Depreciation	152,775	133,000	143,896	172,857
EBITDA	466,931	348,986	86,372	(148,306)

OVERALL PERFORMANCE

The Corporation's gross revenue in 2016 was \$5,707,046 compared to \$5,551,606 in 2015. The Corporation's net income in 2016 was \$222,574 or \$0.016 per share, compared to net loss of \$152,323 or \$0.011 per share in 2015.

The increase in the Corporation's gross revenue in 2016 was due primarily to increase in product selling prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Results of Operations

The Corporation's gross revenue in 2016 was \$5,707,046 or 2.8% higher than in 2015.

Deli Chinese food products sale

The Corporation's deli Chinese food products are sold nationally across Canada. Gross revenue in 2016 was \$5,434,156, 2.75% higher than in 2015. The increased revenue was primarily due to management's ability to increase the product selling prices upon its implementation of such increases through 2013 and 2014 and being effectively in 2015.

Royalties and franchise fees

The Corporation's other source of revenue, royalties and franchisee fees had experienced some good results. Net royalties and franchise fees in 2016 were \$ 272,890, 3.8% higher than in 2015. The increase was primarily due to more royalties collected as a result of more franchisees developed over the years.

Cost of sales and gross profit

The Corporation's gross profit in 2016 was \$ 1,257,553 or 23% of gross revenue compared to \$ 1,084,979 or 21% of gross revenue in 2015. Increased gross profit margin was due to increased product selling prices as discussed above.

Operating expenses

The Corporation's sales and marketing expenses in 2016 were \$ 100,888, compared to \$ 107,719 in 2015. Marketing expenses are relatively stable compared to 2015.

General and administrative expenses ("G&A") in 2016 were \$ 953,605, compared to \$ 885,375 in 2015, increased by \$ 68,230 or 8%. The primary reason for the increase in G&A was due to management's bonuses accrued.

Net income, EBITDA and earnings per share

The Corporation's net income in 2016 was \$ 222,574 or \$ 0.016 per share, compared to net income of \$ 152,323 or \$ 0.011 per share per share in 2015. The Corporation's EBITDA in 2016 was \$ 466,931 compared to \$ 348,988 in 2015. Increased EBITDA were primarily resulting from higher revenue and improved profit margin. Management believes that EBITDA, in addition to net income (loss), provides investors with a basis to evaluate the Corporation's operating performance, its ability to incur and service debt and fund capital expenditures.

There is no prescribed standardized meaning for EBITDA under IFRS and, therefore, EBITDA is a non-IFRS financial measure that may not be comparable to similar measures presented by other companies.

Cash flow and working capital

Cash generated from the Corporation's operating activities in 2016 was \$ 460,516, compared to cash generated from operating activities of \$ 148,463 from 2015. Increased cash flow from operations resulted primarily from increased revenue and improved profit margin.

Cash used in financing activities in 2016 was \$ 98,335, compared to a net reduction of \$ 82,559 in 2015. The increase was primarily due to payments made on capital lease obligation incurred in 2016.

Expenditures on property, plant and equipment totaled \$ 80,386 in 2016, compared to \$ 37,571 in 2015. Increased investments in equipment were due to worn-out of aged old equipment.

Trade receivables and trade payables

The Corporation's trade and other receivables totaled \$ 584,997 at December 31, 2016, compared to \$ 555,449 at December 31, 2015. Trade and other receivables were relatively stable.

Trade and other payables were \$ 347,153 at December 31, 2016, compared to \$ 374,499 at December 31, 2015. The decrease in trade and other payables primarily resulted from the timing of payments made.

Under normal operating conditions, receivables and payables levels may increase or decrease by as much as 25% in a given period depending on the timing of sales orders, purchases and payments.

Inventories

The Corporation's total inventories were \$ 273,885 at December 31, 2016, compared to \$ 267,298 at December 31, 2015. Inventory levels were relatively stable compared to prior year.

Summary of quarterly results

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2016	2016	2016	2016	2015	2015	2015	2015
Gross revenue - deli Chinese food products (in \$000's)	1401	1,419	1,382	1,232	1,290	1,349	1,452	1,197
EBITDA	32,350	144,403	132,319	157,859	132,100	57,966	39,597	119,323
Net income (loss) (\$)	(14,311)	74,388	70,380	92,117	45,904	22,104	1,795	82,520
Net income (loss) per share (\$)	(0.001)	0.005	0.005	0.007	0.003	0.002	0.000	0.010

Variability in the Corporation's gross revenue of deli Chinese food products is due in part to the timing and level of the Corporation and competitors' promotional activities and the launch of new products.

Variability in the Corporation's earnings is due to changes in sales levels and commodity costs, and the timing of expenditures. The costs of certain raw materials, including beef and pork fluctuate between quarters and years, impacting gross profit, EBITDA and net income. Higher commodity prices can be partially recovered through higher product selling prices, subject to delays in implementation of such increases, within the limits of market and consumer acceptance and competition from other Chinese food products. The Corporation expenses new product launch costs, including new product listing fees, as incurred and this causes variability in reported results depending on when new products are developed and released. The level of consumer marketing expenditures incurred by the Corporation fluctuates between quarters, contributing to variability in earnings by reporting period.

The Corporation purchases some of the raw materials at prices denominated in U.S. dollars. As a result, the Corporation is exposed to the effects of fluctuations in exchange rates between Canadian and U.S. dollars. The resulting realized and unrealized foreign exchange gains and losses also contribute to variability in earnings from one period to the next.

Fourth Quarter

The Corporation's gross sales in the fourth quarter of 2016 were \$ 1,491,767 compared to \$ 1,290,000 in 2015. Sales in fourth quarters were increased resulting from the increase in production selling prices in 2016.

Gross profit in the fourth quarter of 2016 was \$ 160,504, compared to \$ 307,867 in the same period of 2015. Decreased gross profit was primarily due to the bonus accrued at year end which were recorded under the cost of sales.

Operating expenses in the fourth quarter of 2016 was \$ 217,982 compared to \$ 288,977 in the same period of 2015. Decreased operating expenses were primarily resulting from the adjustments made on repair and maintenance expenses in the fourth quarter of 2016.

Net loss for the fourth quarter of 2016 was \$ (14,311) or \$ (0.001) per share, compared to net income of \$ 45,905 or \$ 0.003 per share in the comparable period of 2015. The change from profit to loss position in the same fourth quarter was primarily due to the bonus in amount of \$ 120,000 accrued in the fourth quarter of 2016.

Outlook for 2017

Despite reporting net profit in 2016 and 2015, the Corporation continues to face challenges. The strong competitive pressures experienced on deli Chinese food products in 2016 are anticipated to continue. The prices of certain inputs, such as beef and pork are still expecting to increase continuously going forward.

The Corporation is continuing to focus on launching innovative products and broadening geographic distribution of its products to mitigate the challenges described. Increased product development and launch costs are expected in 2017, and there is no certainty that the incremental sales from these new products will exceed costs.

Liquidity and Capital Resources

The Corporation's bank financing is comprised of the following:

- (a) A demand operating revolving line of credit to a maximum of \$ 300,000 with the Royal Bank of Canada with interest at Royal Bank Prime plus 1.75% secured by a general security agreement. The Corporation uses this facility to fund working capital. At December 31, 2016, there was no outstanding balance on this facility.

This bank financing is secured by a general assignment of trade receivables, inventories and issuance of demand debentures that create a fixed and floating charge over all the Corporation's assets and is subject to the Corporation maintaining compliance with certain financial and non-financial covenants.

Management expects that cash flow from operations together with available credit will be adequate to maintain current operations and fund sustaining capital expenditures for 2017.

The Corporation's contractual commitments at December 31, 2016 require the following payments:

	Total	2017	2018	2019	2020	2021 and beyond
Mortgage payable	\$143,144	\$89,396	\$53,748	-	-	-
Capital lease obligation	\$134,091	\$29,798	\$29,798	\$29,798	\$29,798	\$14,899
Total	\$277,235	\$119,194	\$83,546	\$29,798	\$29,798	\$14,899

Risks and Uncertainties

The uncertainties and risk factors described below are those that may significantly affect the Corporation's financial position or results of operations. Not all contingencies and risks have been addressed, and the risks or uncertainties may not materialize or occur in the manner expected or have the anticipated consequences described herein.

Competition

The Corporation competes with large food companies that have greater resources than the Corporation. To the extent that these competitors are able to produce competitive products at a lower cost and utilize larger financial, distribution and marketing resources, the Corporation may be required to make significant expenditures to improve or even maintain its competitive position.

Customer concentration

The Corporation's customers consist primarily of grocery stores, mass merchandisers and club stores across Canada. The Canadian grocery market is highly concentrated. The largest Canadian retailers have significant buying power, and can have significant negotiating leverage over suppliers such as the Corporation. The Corporation's three largest customers comprise approximately 66% of gross revenue.

Commodities

The Corporation's major inputs, such as beef, pork, chicken, are commodities that experience supply and price volatility. Management continually evaluates the long-term availability of these inputs in conjunction with its forecasted production needs. Higher commodity prices can be partially recovered through higher product selling prices, subject to possible delays in implementation of such increases, within the limits of market and consumer acceptance and competition from other beverage and food products.

Foreign currency

The Corporation is exposed to currency risk on purchases of inventory from the U.S. for processing. As a result, the Corporation is exposed to financial risk, including from fluctuations in the U.S. dollar exchange rate and a change in the currency exchange rates between the Canadian dollar and the U.S. dollar could have a material effect on the Corporation's reported results of operations, financial position and cash flows.

Product liability

All food-processing companies are exposed to the risks inherent in the safety and integrity of their products. If such a safety risk were to materialize, it could result in an expensive product recall that could severely damage the Corporation's reputation. Consequently, The Corporation maintains liability insurance coverage as a producer and has other coverage consistent with current industry practices.

Regulatory matters

The production and distribution of food products and the impact of these activities on the environment are subject to legislation and regulations. If a law or regulation were amended, the resulting impact would depend on the Corporation's ability to adapt, comply and assume any related costs. The Corporation believes that its production and distribution activities, and their environmental impact, currently comply in all material respects with major government laws and regulations and also believes that it has all the permits and licenses required by the nature of its activities.

Crisis management and business continuity

The Corporation has developed crisis management and business continuity plans for its operations. The plans include back-up physical locations in the event of a disaster, generators in the event of power failures and back-up systems.

Insurance and claims

The Corporation is engaged in certain claims and legal actions in the ordinary course of business. The Corporation limits its exposure to such risk by holding insurance to cover the risk of claims related to its operations through a comprehensive insurance program and by securing insurance with reputable and financially stable insurers.

Laws, taxation and accounting

Changes made to taxation and other laws, regulations, rules and policies that affect the Corporation, as well as new accounting requirements of the relevant authorities may materially affect the Corporation's financial and operating performance.

Financial Instruments

The Corporation's financial instruments include cash, trade and other receivables, trade and other payables, and loans and borrowings for which the carrying values approximate fair values. The Corporation's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and interest rate risk. The Corporation's exposure to these risks is set out in note 4 to the Corporation's financial statements for the year ended December 31, 2016.

(a) Currency risk

The Corporation is exposed to currency risk on purchases of inventory for processing to the extent that the payment of foreign denominated accounts payable are subject to fluctuations in the foreign exchange rate. A significant change in the value of the Canadian dollar relative to the U.S. dollar could have a material effect on the Corporation's results of operations, financial position and cash flows. Foreign currency risk is managed in accordance with the Corporation's treasury policy, the objective of which is to partially mitigate the impact of foreign exchange rate fluctuations on the Corporation's results of operations, financial position and cash flows. Under this policy, the Corporation may enter into foreign currency forward purchase contracts to manage foreign currency risk associated with anticipated future cash flows.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or a third party to a financial instrument fails to meet its contractual obligations. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Corporation will grant credit. A majority of the Corporation's customers are long-established retailers and food manufacturers in Canada and most have been transacting with the Corporation for several years.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining financial forecasts as well as long-term operating and strategic plans. Managing liquidity requires monitoring of projected cash inflows and outflows using forecasts of the Corporation's financial position to ensure adequate and efficient use of cash resources. The appropriate liquidity level is established based on historical volatility and seasonal requirements, as well as planned investments and debt maturity requirements.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's interest-bearing loans and borrowings are set out in note 8 to the financial statements for the year ended December 31, 2016. As the Corporation's long term loans are bearing fixed interest, change in interest rates will have impact on its fair value of the long term loans the Corporation borrowed.

Off-Balance Sheet Arrangements

At December 31, 2016, the Corporation had no off-balance sheet obligations that have or are likely to have a current or future material effect on the Corporation's results of operations or financial condition.

Critical Accounting Estimates

Management considers an accounting estimate critical if it requires assumptions to be made that were highly uncertain at the time the estimate is made and if changes in the estimate or different estimates that may have been selected could have a material impact on the Corporation's results of operations or financial position.

The Corporation's most critical accounting estimates are as follows;

- (i) Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax losses in future periods and tax rates applicable to those periods.

(ii) Inventory:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount 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 continuance of new products, new products or new packaging 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 products and packaging, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

The judgments critical to the determination of carrying value of assets and liabilities are discussed below:

(iii) Property, Plant and Equipment

Judgment is used in estimating useful lives and residual values of each component of an item of property, plant and equipment. Useful lives are utilized to most closely reflect the expected pattern of consumption of economic benefits embodied in the assets. Estimated useful lives and residual values of property, plant and equipment are reviewed at least annually and adjusted if appropriate. Any changes are accounted for prospectively.

Future Accounting Changes

The International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2016, and have not been applied in preparing the Corporation's 2016 financial statements. None of the foregoing is expected to have a significant effect on the financial statements of the Corporation.

Outstanding Shares

As of April 28, 2017, the Corporation had 13,670,997 issued and outstanding common shares.

Transactions with Related Parties

Transactions with related parties include management service fees received; product costs, sharing of promotional costs, product sales, franchise fees and royalties received from related franchisees according to terms outlined in the individual franchise agreements. These are considered to be in the normal course of business and were recorded at the exchange amount used by the Corporation under normal business terms.

In the year ended December 31, 2015, a net amount of \$ 41,215 was receivable from related parties. This amount consisted of \$ 13,412 due from related franchisees and \$ 27,803 from companies controlled by related parties.

In the year ended December 31, 2016, a net amount of \$ 96,884 was receivable from related parties. This amount consisted of \$ 26,064 due from related franchisees and \$ 70,820 from companies controlled by related parties.

During the year ended December 31, 2015, the Corporation's revenues included product sales to related parties of \$191,871, and royalties charged of \$ 80,911.

During the year ended December 31, 2016, the Corporation's revenues included product sales to related parties of \$241,438, and royalties charged of \$ 81,319.

Controls and Procedures

Management maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted under securities legislation are recorded, processed, summarized, and reported within the required time periods. The President & Chief Executive Officer ("CEO") and Vice President, Finance & CFO ("CFO"), after evaluating the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2016, have concluded that disclosure controls and procedures, as of such date, were effective to provide reasonable assurance that information required to be disclosed by the Corporation that it files or submits, is (i) recorded, processed, summarized and reported within the time periods as required, and (ii) accumulated and made known to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements.

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR"), and confirm that there were no changes in these controls that occurred during the year ended December 31, 2016 which materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. Based upon their evaluation of these controls for the year ended December 31, 2016, the CEO and CFO have concluded that these controls are operating effectively.

Additional Information

Additional information relating to the Corporation's operations can be found in the Corporation's Annual Information Form, filed with all applicable Canadian securities commissions and available from the Canadian Securities Administrator's website at www.sedar.com.