

Consolidated Condensed Interim Financial Statements  
(Expressed in Canadian dollars)

## **GOOD NATURED PRODUCTS INC.**

Six months ended June 30, 2021 and 2020

## **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 three and six month periods ended June 30, 2021 and 2020 in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# GOOD NATURED PRODUCTS INC.

Consolidated Statements of Financial Position  
(In thousands of Canadian dollars) (Unaudited)

	June 30 2021	December 31 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,082	\$ 8,114
Trade and other receivables	11,801	5,557
Inventory	13,375	6,294
Prepaid expenses	778	671
	<u>38,036</u>	<u>20,636</u>
Non-current assets:		
Property and equipment (note 4)	28,426	15,416
Customer relationships (note 5)	6,000	5,709
Intangible assets (note 5)	3,317	3,389
Goodwill (note 5)	7,550	6,824
	<u>\$ 83,329</u>	<u>\$ 51,974</u>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,426	\$ 8,882
Credit line (note 6)	2,239	3,073
Current portion of long-term debt (note 7)	4,114	3,129
	<u>21,779</u>	<u>15,084</u>
Non-Current liabilities:		
Long-term debt (note 7)	31,600	29,702
Contingent consideration liability (note 3)	1,822	1,756
Deferred income tax liabilities	3,620	3,620
	<u>37,042</u>	<u>35,078</u>
Shareholders' Equity (Deficiency):		
Common share capital	55,961	28,883
Contributed surplus	3,712	2,736
Foreign currency translation reserve	487	244
Deficit	(35,652)	(30,051)
	<u>24,508</u>	<u>1,812</u>
	<u>\$ 83,329</u>	<u>\$ 51,974</u>

Subsequent events (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

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"Jim Zadra" Director

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"Michael Thomson" Director

# GOOD NATURED PRODUCTS INC.

Consolidated Statements of Net Loss and Comprehensive Loss  
(In thousands of Canadian dollars, except per share amounts) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Product revenue	\$ 12,371	\$ 3,676	\$ 20,271	\$ 6,728
Cost of product revenue (note 10)	(8,865)	(2,047)	(13,976)	(3,991)
Gross margin	3,506	1,629	6,295	2,737
Other (Expenses) Income:				
Product development	(132)	(100)	(231)	(221)
Selling, general, and administrative (note 11)	(4,680)	(1,878)	(7,496)	(3,334)
Share-based compensation (note 8(b,d))	(705)	(63)	(975)	(73)
Depreciation and amortization	(276)	(109)	(512)	(151)
Financing costs	(926)	(840)	(1,960)	(1,758)
Foreign exchange (loss) gain	(468)	(174)	(539)	465
Loss on debenture redemption and debt conversion	(46)	-	(212)	(132)
Gain on interest free loan (note 7(f))	29	21	29	67
Loss before taxes	(3,698)	(1,514)	(5,601)	(2,400)
Deferred income tax recovery	-	-	-	80
Net loss for the period	(3,698)	(1,514)	(5,601)	(2,320)
Other comprehensive loss, net of tax items that may be reclassified subsequently to profit or loss:				
Unrealized currency gain (loss) on translation of foreign operations	\$ 95	\$ 294	\$ 243	\$ (400)
Total comprehensive loss for the period	(3,603)	(1,220)	(5,358)	(2,720)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average shares outstanding – basic and diluted shares outstanding	215,107,446	113,442,554	203,903,707	110,535,670

See accompanying notes to unaudited condensed consolidated interim financial statements.

# GOOD NATURED PRODUCTS INC

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(In thousands of Canadian dollars) (Unaudited)

	Number of common shares	Common share capital	Contributed surplus- warrants and conversion features	Contributed surplus- stock options	Foreign currency translation reserve	Deficit	Equity/ (Deficiency)
Balance at December 31, 2019	105,797,873	\$ 13,966	\$ 3,147	\$ 1,127	\$ (18)	\$ (22,864)	\$ (4,642)
Shares issued upon warrant exercise	766,665	98	(41)	-	-	-	57
Share issued upon debenture conversion (note 8(a))	1,566,661	235	(17)	-	-	-	218
Conversion feature and warrants of convertible debenture (note 7 (c))	-	-	298	-	-	-	298
Convertible debenture redemption (note 7(c))	-	-	(231)	-	-	-	(231)
Share issued upon debt conversion (note 7(d))	6,666,667	1,000	-	-	-	-	1,000
Share issued upon mortgage funding (note 7(b))	3,000,000	450	-	-	-	-	450
Share based compensation	-	-	-	73	-	-	73
Deferred tax arising from convertible debenture issuance	-	-	(80)	-	-	-	(80)
Net comprehensive loss	-	-	-	-	(400)	(2,320)	(2,720)
Balance at June 30, 2020	117,797,866	\$ 15,749	\$ 3,076	\$ 1,200	\$ (418)	\$ (25,184)	\$ (5,577)
Issuance of common shares, net (note 8)	32,541,836	6,195	428	-	-	-	6,623
Shares issued upon warrant exercise	19,496,141	4,020	(1,626)	-	-	-	2,394
Share issued upon debenture conversion (note 8(a))	6,539,101	1,504	(310)	-	-	-	1,194
Share issued upon option exercise (note 8(a))	1,110,000	369	-	(150)	-	-	219
Convertible debenture redemption (note 7(c))	-	-	(71)	-	-	-	(71)
Share issued as acquisition consideration (note 8(a))	1,773,334	1,046	-	-	-	-	1,046
Share based compensation	-	-	-	189	-	-	189
Net comprehensive loss	-	-	-	-	662	(4,867)	(4,205)
Balance at December 31, 2020	179,258,278	\$ 28,883	\$ 1,497	\$ 1,239	\$ 244	\$ (30,051)	\$ 1,812
Issuance of common shares, net (note 8)	19,262,500	20,440	612	-	-	-	21,052
Shares issued upon warrant exercise	10,264,638	2,289	(315)	-	-	-	1,974
Share issued upon debenture conversion (note 8(a))	4,395,634	1,011	(191)	-	-	-	820
Share issued upon option exercise (note 8(a))	419,576	99	-	(38)	-	-	61
Share issued upon debt conversion (note 7(d))	2,719,375	3,239	(67)	-	-	-	3,172
Share based compensation (note 8(b,d))	-	-	-	975	-	-	975
Net comprehensive loss	-	--	-	-	243	(5,601)	(5,358)
Balance at June 30, 2021	216,320,001	\$ 55,961	\$ 1,536	\$ 2,176	\$ 487	\$ (35,652)	\$ 24,508

See accompanying notes to consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

Consolidated Statements of Cash Flows  
(In thousands of Canadian dollars) (Unaudited)

	Six months ended June 30	
	2021	2020
Cash provided by (used in):		
Operations:		
Net loss	\$ (5,601)	\$ (2,320)
Items not involving cash:		
Depreciation and amortization	739	151
Unrealized foreign exchange loss	142	(400)
Amortization of right of use assets	126	23
Share based compensation (note 8 (b))	975	73
Loss on debenture redemption and conversion (note 7 (c))	212	132
Gain on interest free loan (note 7 (e))	(29)	(66)
Financing costs	1,960	1,759
Deferred income tax recovery	-	(80)
	(1,476)	(728)
Changes in non-cash operating working capital:		
Trade and other receivables	(1,071)	(1,352)
Inventory	(4,616)	(2,037)
Prepaid expenses	116	1
Accounts payable and accrued liabilities	868	1,405
Finance costs paid	(1,650)	(1,401)
Cash used in operating activities	(7,829)	(4,112)
Financing:		
Issuance of common shares, net of costs (note 8(a))	21,052	67
Exercise of warrants for common shares (note 8(c))	1,974	-
Exercise of options for common shares (note 8(b))	61	-
Credit Line (repayment) advance (note 6)	(800)	532
Proceeds from long-term debt, net of costs (note 7)	9,942	9,928
Repayment of long-term debt (note 7)	(3,168)	(3,330)
Cash provided by financing activities	29,061	7,197
Investments:		
Business acquisitions, net of cash acquired (note xx)	(15,337)	(8,402)
Purchase of equipment	(1,673)	(141)
Other assets	(183)	(122)
Cash used in investing activities	(17,193)	(8,665)
Effect of foreign exchange rate changes on cash	(71)	207
Increase (decrease) in cash	3,968	(5,373)
Cash and cash equivalents, beginning of period	8,114	8,455
Cash and cash equivalents, end of period	\$ 12,082	\$ 3,082

Supplementary disclosure with respect to cash flows (note 12).

See accompanying notes to consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

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## 1. Nature of operations:

Good Natured Products Inc. (the "Company") is a Canadian company incorporated under the British Columbia Business Corporations Act and its common shares are listed on the TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the symbol "GDNP". The Company's head office is located at 814 - 470 Granville Street, Vancouver, British Columbia, Canada. The Company is principally engaged in the design, production and distribution of high-performance bioplastics for use in packaging and durable product applications.

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

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

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

## 2. Basis of presentation:

### (a) Statement of compliance:

These 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 year ended December 31, 2020, 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 year ended December 31, 2020.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 25, 2021.

### (b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for items that are measured at fair value consisting of the contingent consideration liability (note 3).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

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## 2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

(i) Significant estimates:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. There have been no material changes in significant estimates, assumptions and judgments compared to those disclosed in Note 2(c) to the Company's annual audited consolidated financial statements for the year ended December 31, 2020.

### *Fair value estimates associated with business combinations (note 4)*

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

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

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



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

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## 2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

(i) Significant estimates (continued):

As at June 30, 2021, the purchase consideration for the acquisitions of IPF Holdings Inc. dba Integrated Packaging Films ("IPF") and Ex-Tech Plastics Inc. have been allocated on a preliminary basis based on management's best estimates at the time these consolidated financial statements were prepared. The Company is continuing its review to determine the fair value of acquired intangible assets and manufacturing and other equipment during the allowable measurement period, which shall not exceed one year from the acquisition date. Any future changes to the purchase price allocation may result in adjustments to recognized assets, acquired liabilities and/or goodwill.

## 3. Acquisition:

*Ex-Tech Plastics Inc.*

On May 28, 2021, the Company completed the acquisition of all of the operating assets of Ex-Tech Plastics Inc. ("Ex-Tech"), a manufacturer of high quality, rigid plastic sheets, and real estate assets owned by a related company ETP Inc. for cash consideration of \$15,337. Founded in 1982, Ex-Tech is located 90 minutes from Chicago in Richmond, Illinois. Ex-Tech operates seven different extrusion lines in a dedicated 75,000 square foot facility on 9.5 acres of land. The purchase price was financed through a combination of a \$6,067 term loan, a \$3,427 mortgage and the balance funded by the Company's treasury (note 7(b) and (f)).

Financial and operating results of Ex-Tech are included in the Company's consolidated financial statements effective May 28, 2021. The acquisition of Ex-Tech contributed revenues of \$3,145 and net earnings before taxes of \$449 for the period from May 28, 2021 to June 30, 2021.

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

Cash funded via term loan (note 7(f))	\$	6,067
Cash funded via mortgage (note 7(b))		3,427
Cash funded via treasury		5,843
<b>Total Purchase Price</b>	<b>\$</b>	<b>15,337</b>

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

### 3. Acquisition (continued):

#### *Ex-Tech Plastics Inc.*

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

Accounts receivable	\$	5,157
Inventory		2,531
Prepaid expenses		245
Manufacturing and other equipment		6,595
Land and building		5,163
Customer relationships		595
Goodwill		726
Current liabilities		(5,675)
<b>Net assets acquired</b>	<b>\$</b>	<b>15,337</b>

Accounts receivable acquired are at full contract value.

#### *Shepherd Thermoforming & Packaging Inc.*

On May 12, 2020, the Company completed the acquisition of 100% of Shepherd Thermoforming & Packaging Inc. ("Shepherd"), a leading thermoformer with over 35 years' experience and all its real estate assets for \$9.5 million in cash. The assets include machinery, molds and a 42,000 square foot manufacturing facility, all located on 2.31 acres of land in the Greater Toronto Area of Brampton, Ontario. The acquisition increased the Company's product offerings and production capabilities. Although the acquisition legally completed on May 12, 2020, the effective date the Company took control of Shepherd per the agreement was April 30, 2020. In addition to the \$9,566 payable in cash at closing, the purchase contemplates a contingent consideration payment of \$2,250 which is payable at some point between 42 and 60 months post-closing, upon satisfaction of a condition relating to increase in the value of the real estate purchased as part of the transaction. The purchase price was financed through a combination of a \$6,000 BDC mortgage loan, a \$1,350 vendor promissory note and the balance funded by drawdown of the Company's BDC credit facility (note 7(d)).

Financial and operating results of Shepherd are included in the Company's consolidated financial statements effective April 30, 2020. During the year ended December 31, 2020, the acquisition of Shepherds contributed revenues of \$5,045 and net earnings before taxes of \$755 since April 30, 2020.

In conjunction with the completed acquisition of Shepherd Thermoforming & Packaging Inc., the Company completed the conversion of \$1,000 of its existing long term credit facility with BDC (note y(d)) by issuing 6,666,667 common shares to BDC at a fair value price of \$0.15 per Share, and also issued 3,000,000 common shares to BDC at a fair value price of \$0.15 per Share as a loan bonus for BDC providing the mortgage as part of the financing of the Shepherd acquisition.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

## 3. Acquisition (continued):

*Shepherd Thermoforming & Packaging Inc. (continued):*

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

Cash funded via Mortgage, net (note 7(b))	\$	5,910
Vendor loan (note 7(e))		1,350
Cash funded via BDC credit facility (note 7(d))		2,306
Contingent consideration liability (see below)		1,674
<b>Total Purchase Price</b>	<b>\$</b>	<b>11,240</b>

The following table summarizes the allocation of the purchase price:

Current assets	\$	1,367
Manufacturing and other equipment		1,423
Land and building		9,000
Goodwill		850
Current liabilities		(550)
Deferred income tax liabilities		(850)
<b>Net assets acquired</b>	<b>\$</b>	<b>11,240</b>

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

Contingent Consideration Liability:

If the appraised value of the owned real estate is greater than or equal to \$9,500 at a date between the May 12, 2023 and May 12, 2025, the Company shall pay to the vendors an additional \$2,250 as early as May 12, 2024 or at the latest November 12, 2025 subject to the timing of the appraisal. If the appraised value is not greater than or equal to \$9,500 at a date between the May 12, 2023 and May 12, 2025, then the contingent earnout amount will be reduced to zero. The Company has recognized the contingent earnout at a present value of \$1,674 using a discount rate of 7.4% and a payout date of May 12, 2024. The contingent consideration liability is \$1,822 at June 30, 2021 (December 31, 2020 - \$1,756).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

### 3. Acquisition (continued):

#### *IPF Holdings Inc. dba Integrated Packaging Films*

On December 22, 2020, the Company completed the acquisition of 100% of IPF Holdings Inc. dba Integrated Packaging Films ("IPF"), a leading rollstock sheet extruder with over 20 years' experience, located in Ayr, Ontario. IPF increases the Company's product offerings and production capabilities. Although the acquisition legally completed on December 22, 2020, the effective date the Company took control of IPF per the agreement was November 30, 2020. The closing consideration was satisfied by payment of \$12,539 in cash, the issuance of 1,773,334 common shares at a fair value of \$0.59 per Common Share, the issuance of a \$3,334 vendor take-back note and a \$320 short-term note payable. The cash portion of the purchase price was largely financed through a combination of a \$7,600 million reducing term loan with the Royal Bank of Canada with 6-year amortization at market rates; and a \$3,222 draw down under the Corporation's existing BDC Loan Agreement.

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

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

Cash funded via RBC Loan Facility (note 7(a))	\$	7,600
Vendor loan (note 7(e))		3,334
Cash funded via BDC credit facility (note 7(d))		3,222
Note payable		320
Common shares of the Company		1,046
Cash		1,718
<b>Total Purchase Price</b>	<b>\$</b>	<b>17,240</b>

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

Current assets	\$	3,409
Manufacturing and other equipment		4,296
Customer relationships		5,600
Intangible and other assets		2,590
Right of use asset		326
Goodwill		5,974
Current liabilities		(1,860)
Lease liability		(325)
Deferred income tax liabilities		(2,770)
<b>Net assets acquired</b>	<b>\$</b>	<b>17,240</b>

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

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

## 4. Property and equipment, net:

	Land	Building	Manufacturing Equipment	Other Equip.	Accumulated Depreciation	Total
Dec. 31, 2019	\$ -	\$ -	\$ 406	\$ 64	\$ (97)	\$ 373
Additions	4,943	4,320	6,131	18	(369)	15,043
Dec. 31, 2020	\$ 4,943	\$ 4,320	\$ 6,537	\$ 82	\$ (466)	\$ 15,416
Additions	413	4,834	8,101	23	(361)	13,010
June 30, 2021	\$ 5,356	\$ 9,154	\$ 14,638	\$ 105	\$ (827)	\$ 28,426

Land is not subject to depreciation.

## 5. Customer relationships, other intangible assets and goodwill:

	Customer Lists	Accumulated Amortization	Net Book Value
December 31, 2019	\$ 1,741	\$ (1,514)	\$ 227
Additions	5,600	(118)	5,482
December 31, 2020	\$ 7,341	\$ (1,632)	\$ 5,709
Additions	595	(304)	291
June 30, 2021	\$ 7,936	\$ (1,936)	\$ 6,000

	Brand and Formulas	Other Assets	Accumulated Amortization	Net Book Value
December 31, 2019	\$ -	\$ 533	\$ (46)	\$ 487
Additions	2,200	747	(45)	2,902
December 31, 2020	\$ 2,200	\$ 1,280	\$ (91)	\$ 3,389
Additions	-	48	(120)	(72)
June 30, 2021	\$ 2,200	\$ 1,328	\$ (211)	\$ 3,317

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

## 5. Customer relationships, other intangible assets and goodwill (continued):

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

	Goodwill	Accumulated Impairment	Net Book Value
December 31, 2019	\$ -	\$ -	\$ -
Additions	6,824	-	6,824
December 31, 2020	6,824	-	6,824
Additions	726	-	726
June 30, 2021	\$ 7,550	\$ -	\$ 7,550

Goodwill was generated by the acquisitions of Shepherd, IPF and Ex-Tech (note 3) and is allocated to the plastics and packaging manufacturing and distribution group of cash generating units.

## 6. Credit Line

On June 5, 2019, Comerica Bank agreed to provide the Company with a 1 year, \$1,000 USD revolving line of credit with a variable interest rate of prime + 1% secured by all assets of the Company. The Company is required to maintain \$1,000 CAD of cash in its accounts for the term of the revolving loan. As at June 30, 2021, the Company was in compliance with all covenants.

On May 12, 2020, the Company entered into an additional loan agreement with Comerica Bank to provide a further \$2,800 CAD in a revolving line of credit. The facility is for a period of one year at a rate of prime plus 0.5%. The facility has been extended to September 30, 2021.

The Company incurred interest expense related to the credit line of \$42 for the six months ended June 30, 2021 (year ended December 31, 2020 - \$64).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 7. Long-term debt:

	RBC Loan Facility (a)	Mortgages (b)	Convertible Debenture (c)	BDC Capital (d)	Vendor Notes (e)	Other debt (f)	Total
Dec. 31, 2019	\$ -	\$ -	\$ 5,935	\$ 5,884	\$ -	\$ 1,454	\$ 13,273
Proceeds, net	7,600	5,910	1,047	6,233	-	231	21,021
Issuance	-	-	-	-	4,684	-	4,684
Lease addition	-	-	-	-	-	607	607
Repayment	-	(23)	(4,369)	-	-	(151)	(4,543)
Conversion	-	-	(1,139)	(1,000)	-	-	(2,139)
Accretion / Loss	-	12	638	359	-	85	1,094
Non-cash component	-	(450)	(298)	-	-	(83)	(831)
Foreign Exchange	-	-	-	(335)	-	-	(335)
Dec. 31, 2020	\$ 7,600	\$ 5,449	\$ 1,814	\$ 11,141	\$ 4,684	\$ 2,143	\$ 32,831
Proceeds, net	400	3,427	-	323	-	6,142	10,292
Repayment	(633)	(56)	-	(1,978)	(300)	(201)	(3,168)
Conversion	-	-	(820)	(3,121)	(50)	-	(3,991)
Accretion / Loss	-	9	131	254	-	62	456
Non-cash component	-	-	-	-	-	(379)	(379)
Foreign Exchange	-	-	-	(327)	-	-	(327)
Jun. 30 2021	\$ 7,367	\$ 8,829	\$ 1,125	\$ 6,292	\$ 4,334	\$ 7,767	\$ 35,714
						June 30 2021	December 31 2020
Current portion						\$ 4,114	\$ 3,129
Non-current portion						31,600	29,702
						\$ 35,714	\$ 32,831

# GOOD NATURED PRODUCTS INC.

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## 7. Long-term debt (continued):

Undiscounted repayment commitment:

The required undiscounted annual repayments of the Company's long-term debt for the years ending June 30 follow:

2022	\$	4,114
2023		11,376
2024		7,360
2025		3,609
2026 and beyond		10,959
	\$	37,418

### (a) RBC Loan Facility:

In December 2020, the Company entered into a loan facility with the Royal Bank of Canada ("RBC"). The facility includes a reducing Term Loan of \$7,600 with a six-year amortization, a \$3,000 revolving operating line of credit, a \$400 revolving capital term loan, and a \$400 revolving lease line. The facility is dedicated to the operations conducted at the Company's wholly owned subsidiary, IPF (note 3). The facility is secured by a first ranking general security agreement covering the assets of IPF along with a \$12,700 guarantee from the Company.

The Term Loan bears interest at RBC's prime rate plus 1.0% per year. The loan will be repaid fully through 72 monthly payments of \$106 along with interest (3.45% per annum as at date of June 30, 2021) which commenced on January 4, 2021. The loan matures on December 4, 2026.

The facility requires maintenance of a minimum fixed charge coverage ratio, a maximum debt to EBITDA ratio and regular monthly reports of various financial and operational measures. As at June 30, 2021, the Company was in compliance with all covenants under the RBC Loan Facility.

At June 30, 2021, the Company owed \$7,367 under the Term Loan. No other borrowings have been made from the other components of the facility.

### (b) Mortgage:

In May 2020, the Company entered into a \$6,000 mortgage with BDC Capital Inc. ("BDC") bearing interest at 6.8% per year. Monthly payments of interest only were due for the first four months with blended principal and interest payments of \$42 based on an amortization period of 300 months starting on October 3, 2020 up to April 3, 2025. The interest rate will be adjusted, and new blended monthly payments will be computed on April 3, 2025. The mortgage is secured by the land and building included in the acquisition of Shepherd (note 3). The mortgage includes customary covenants such as insurance maintenance, environmental regulatory compliance and limitations on, among other things additional debt, liens, and asset sales. As at June 30, 2021, the Company was in compliance with all covenants under the Mortgage.



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## 7. Loans and financing (continued):

### (b) Mortgage (continued):

In May 2021, the Company entered into a \$2,766 USD (\$3,427 CAD) mortgage with a US regional bank bearing interest at 3.65% per year. The mortgage is repaid over five years by 59 monthly blended principal and interest payments of \$15 USD and a balloon payment of \$2,330 USD due on May 28, 2026. The mortgage is secured by the land and building included in the acquisition of Ex-Tech (note 3). The mortgage includes customary covenants such as insurance maintenance, environmental regulatory compliance and limitations on, among other things additional debt, liens, and asset sales. As at June 30, 2021, the Company was in compliance with all covenants under the Mortgage.

### (c) Convertible Debenture:

	Debenture	Equity component	Issuance Cost	Net Book Value
December 31, 2019	\$ 7,344	\$ (1,017)	\$ (392)	\$ 5,935
Proceeds (ii)	1,190	(298)	(143)	749
Redemption	(4,369)	273	162	(3,934)
Conversion	(1,739)	328	166	(1,245)
Amortization	-	226	83	309
December 31, 2020	\$ 2,426	\$ (488)	\$ (124)	\$ 1,814
Conversion	(1,011)	191	75	(745)
Amortization	-	45	11	56
June 30, 2021	\$ 1,415	\$ (252)	\$ (38)	\$ 1,125

As at June 30, 2021, the Company has \$1,415 (December 31, 2020 – \$2,426) unsecured 10% convertible debentures outstanding due December 30, 2024 (the “Maturity Date”). Each debenture is convertible, at the option of the holder, at any time prior to the close of business on the last business day immediately preceding the Maturity Date, into that number of common shares computed on the basis of the principal amount of the Debentures divided by the conversion price set in the issue. The conversion price of the outstanding debenture is \$0.23 per common share. During the six months ended June 30, 2021, \$1,011 of Debentures were converted into 4,395,634 common shares (year ended December 31, 2020 - \$1,504 into 6,539,101 common shares).

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

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

# GOOD NATURED PRODUCTS INC.

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## 7. Loans and financing (continued):

### (c) Convertible Debenture (continued):

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

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

	Loan	Equity component	Issuance Cost	Net Book Value
December 31, 2019	\$ 6,797	\$ (298)	\$ (615)	\$ 5,884
Proceeds	6,233	-	-	6,233
Share conversion	(1,000)	29	83	(888)
Accretion	-	82	165	247
Foreign exchange restatement to period end spot rate	(335)	-	-	(335)
December 31, 2020	\$ 11,695	\$ (187)	\$ (367)	\$ 11,141
Proceeds	323	-	-	323
Repayment	(1,977)	-	-	(1,977)
Share conversion	(3,188)	65	138	(2,985)
Accretion	-	117	-	117
Foreign exchange restatement to period end spot rate	(327)	-	-	(327)
June 30, 2021	\$ 6,526	\$ (5)	\$ (229)	\$ 6,292

On June 11, 2019, the Company secured financing from BDC Capital in the form of a \$10,000 USD loan facility (the "BDC Facility"). The Company's first draw of \$5,000 USD occurred in June 2019 and was used for working capital to further accelerate organic growth. The second draw of \$2,402 CAD occurred in May 2020 as funding towards the acquisition of Shepherd (note 3). The third and final draw of \$2,500 US occurred in December 2020 as funding towards the purchase of IPF (note 3).

On April 28, 2020, the BDC Facility was amended to reflect BDC's agreement to convert \$1,000 CAD into common shares of the Company and reduce maximum amount of the facility to \$8,500 USD. In addition, the original maturity date of the loan facility was changed from May 1, 2025 to June 1, 2024. The Company recorded a loss on conversion of \$83 which represents the pro-rata portion of initial costs incurred for the issuance of the debt.

# GOOD NATURED PRODUCTS INC.

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## 7. Loans and financing (continued):

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

On March 3, 2021, the BDC Facility converted \$3,188 CAD (\$2,500 USD) into 2,656,875 common shares of the Company at a fair value of \$1.20 per share and reduced the maximum amount of the facility to \$6,000 USD. The Company recorded a loss on conversion of \$138.

At June 30, 2021, the Company owed \$5,125 USD under the BDC Facility (December 31, 2020 – \$8,500 USD).

The loan facility bears interest at BDC Capital's floating base rate plus 4% per year and is payable monthly (4.9% at June 30, 2021). Principal repayment of the outstanding loan commences on June 1, 2021 by way of 36 monthly instalments of \$125 USD and a balloon payment of \$750 USD on June 1, 2024. The loan facility is secured in a subordinate position on all assets of the Company except for the Company's intellectual property where BDC's security interest shall rank first.

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

The loan facility requires maintenance of minimum coverage ratio and earning levels along with other customary covenants such as limitations on, among other things, additional debt, liens, investments, acquisitions and capital expenditures, future dividends and asset sales. As at June 30, 2021, the Company was in compliance with all covenants under the BDC Financing.

### (e) Vendor Notes:

A Vendor note of \$1,000 bearing interest at 4% per year is payable to the former owners of Shepherd. Under the terms of an agreement with other lending parties to the Shepherd acquisition (note 3), the vendor has a subordinate interest and is secured by a second mortgage on the property. Interest is payable quarterly and started on August 10, 2020. The remaining principal is to be repaid as follows - \$500,000 on November 12, 2023; and \$500,000 on November 12, 2024. On January 19, 2021, the lending parties converted \$50 into 62,500 common shares of the Company at a fair value of \$0.80 per share.

A Vendor note of \$3,334 bearing interest at 3.75% per year is payable to the former owners of IPF. Interest is payable quarterly beginning January 1, 2021. Principal is to be repaid as follows - \$1,111 on December 31, 2022 and \$2,223 on December 31, 2023.

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(f) Other Loans:

	WINN Loan (i)	Term Loan (ii)	Other (iii)	Total
December 31, 2019	\$ 1,297	\$ -	\$ 157	\$ 1,454
Proceeds	191	-	40	231
Lease addition	-	-	607	607
Repayment	(30)	-	(121)	(151)
Accretion	85	-	-	85
Non-cash component	(83)	-	-	(83)
December 31, 2020	\$ 1,460	\$ -	\$ 683	\$ 2,143
Proceeds	75	6,067	-	6,142
Repayment	(90)	-	(111)	(201)
Accretion	47	15	-	62
Non-cash component	(29)	(350)	-	(379)
June 30, 2021	\$ 1,463	\$ 5,732	\$ 572	\$ 7,767

(i) Western Innovation Initiative loan:

	Loan	Discount	Net Book Value
December 31, 2019	\$ 1,556	\$ (259)	\$ 1,297
Proceeds	191	(83)	108
Repayment	(30)	-	(30)
Accretion	-	85	85
December 31, 2020	\$ 1,717	\$ (257)	\$ 1,460
Proceeds	75	(29)	46
Repayment	(90)	-	(90)
Accretion	-	47	47
June 30, 2021	\$ 1,702	\$ (239)	\$ 1,463

On June 20, 2014, the Company entered into a Western Innovation Initiative Agreement with Western Economic Diversification Canada ("WINN"). The WINN agreement provides the Company with an interest-free, repayable loan of \$1,600 from the government.

During 2020, the Company accepted WINN's offer to temporarily defer monthly loan repayments due to COVID-19. Monthly instalments restarted on January 1, 2021 with full repayment to be completed on July 1, 2023 – 8 monthly payments of \$15 followed by 23 monthly payments of \$49. At June 30, 2021, the undiscounted balance of the first WINN loan was \$1,178.

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

# GOOD NATURED PRODUCTS INC.

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## 7. Loans and financing (continued):

### (f) Other Loans (continued):

On August 7, 2018, the Company entered into a second WINN agreement. The second WINN agreement provides the Company with an interest-free, repayable contribution from the government not to exceed \$850 towards total project cost estimated at \$1,750. The project funds are directed at the Company's development and commercialization of its new non-toxic high-heat bioplastic food containers for the grocery, take-out and consumer markets. Such funds are to be repaid monthly over five years commencing October 1, 2021. The claim period for shared project costs commenced April 1, 2018.

The Company has received loan proceeds of \$266 under the second WINN agreement. The Company recognized a gain on the proceeds and discounted the second WINN loan by \$112 as a result of the imputed interest benefit received from the interest-free loan.

### (ii) Term loan:

On May 28, 2021, the Company secured a \$6,067 (\$5,000 USD) 2-year term loan with a Canadian financial institution to partially fund the acquisition of Ex-Tech (Note 3). The loan requires monthly payments of interest only at a variable annual Prime rate of plus 8% (Prime rate at June 30, 2021: 2.45%). An annual review fee of \$171 is due on the one year anniversary if any portion of the loan is outstanding on the anniversary date. The Company incurred a commitment fee of \$136 and other professional fees of \$215 to secure the loan.

The term loan requires maintenance of minimum coverage and debt ratios along with other customary covenants such as limitations on, among other things, additional debt, liens, investments, acquisitions and capital expenditures, future dividends and asset sales. As at June 30, 2021, the Company was in compliance with all covenants under the Financing.

Security for the facility is a first charge on all of the operating assets of Ex-Tech owned by good natured Products Illinois LLC and a pledge of the shares of good natured Real Estate US LLC which owns the real estate used in the operation of Ex-Tech.

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## 7. Loans and financing (continued):

(f) Other Loans (continued):

(iii) Other loans:

Other loans include office lease liability, manufacturing plant lease liability and long-term financing of custom packaging molds. The Company renewed its office lease with a 5-year expiry date of March 31, 2025. The lease payments over the term are recorded as a lease liability of \$356 - the office lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of 10.65%. The manufacturing plant's lease was acquired with IPF (note 3) and expires in September 2022. The lease payments over the term are recorded as a lease liability of \$325 - the manufacturing plant lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of 3.45%.

## 8. 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 June 30, 2021, 216,320,001 common shares were issued and outstanding (December 31, 2020 - 179,258,278).

*Shares for acquisition consideration:*

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

On December 22, 2020, the Company completed the acquisition of Integrated Packaging Films (note 3) for \$16,700 in consideration. A portion of the consideration was paid through the issuance of 1,773,334 common shares at a fair value of \$0.59 per share.

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

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

#### *Shares for debenture conversion and debt repayment:*

During the six months ended June 30, 2021, the Company issued 4,395,634 shares at an average conversion price of \$0.23 per share pursuant to the conversion of \$1,011 of outstanding debentures (Year ended December 31, 2020 – 8,105,762 shares; \$1,739) (note 7(c)).

On January 19, 2021, the Company converted \$50 of a Vendor Note into 62,500 common shares of the Company at a fair value of \$0.80 per share (note 7(e)).

On March 3, 2021, the Company completed the conversion of \$3,122 of its existing long-term credit facility with BDC (note 7(d)) by issuing 2,656,875 common shares to BDC at a fair value price of \$1.20 per share (Year ended December 31, 2020 – 6,666,667 shares; \$1,000).

#### *Private Placement:*

In September 30, 2020, the Company completed a private placement of 23,851,436 units at a price of \$0.14 per unit for gross proceeds of \$3,339. Each unit is comprised of one common share and one-half common share warrant of the Company. Each warrant entitles its holder to acquire one share of the Company at a price of \$0.21 per share within the 18-month period following the closing of the respective tranche.

The Company paid cash commission, legal and other related fees totaling \$312 and also granted 1,623,703 non-transferable 18-month broker warrants to acquire 1,623,703 common shares of the Company at a price of \$0.14 per share. The fair value at grant date of the broker warrants issued was \$56 based on the Black-Scholes pricing model and was recorded as a share issuance cost. Expected volatility was determined based on comparable publicly listed companies. The expiry date of the warrants is subject to an acceleration right in favour of the Company that is exercisable if the shares trade at or above a volume-weighted average trading price of \$0.32 on the TSX- Venture Exchange for any 20 consecutive trading days. If the acceleration right is exercised by the Company, the warrants will expire on the 30th day following the date that notice of acceleration is sent to the warrant holders.

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

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

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

# GOOD NATURED PRODUCTS INC.

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

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

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

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

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

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

### *Prospectus Offering:*

In March 2021, the Company completed a short form prospectus offering totaling 19,262,500 common shares at a price of \$1.20 per share for gross proceeds of \$23,115.

The Company paid a cash commission of \$1,387 representing 6.0% of the aggregate gross proceeds of the placement and 1,155,750 broker warrants representing 6.0% of the aggregate number of common shares issued pursuant to the placement. Each broker warrant entitles the holder to acquire one common share at the issue price of \$1.20 for a period of 24 months from the issue date.

The fair value at grant date of the broker warrants issued was \$612 based on the Black-Scholes pricing model and was recorded as a share issuance cost. Expected volatility was determined based on comparable publicly listed companies.

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

Risk-free interest rate	0.26%
Dividend yield	0.00%
Expected life (years)	2
Volatility	82.4%
Forfeiture rate	0.0%
Common share price at grant date	\$1.20



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

### (b) Share options:

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

	Options	Weighted average exercise price
Outstanding as at December 31, 2019	7,139,794	\$ 0.18
Issuance of options	3,248,189	0.20
Exercise of options	(1,110,000)	0.20
Forfeiture of options	(636,000)	0.23
Outstanding as at December 31, 2020	8,641,983	\$ 0.18
Issuance of options	683,674	1.29
Exercise of options	(819,576)	0.15
Forfeiture of options	(28,298)	0.31
Outstanding as at June 30, 2021	8,477,783	\$ 0.27
Exercisable as at June 30, 2021	5,787,621	\$ 0.17

Information about options outstanding and exercisable as of June 30, 2021 follows:

Range of Exercise Prices	Number Outstanding	Number exercisable	Weighted average remaining life (in years)
\$0.10 to \$0.15	5,246,145	3,410,488	7.2
\$0.16 to \$0.20	2,097,857	2,097,857	4.2
\$0.21 to \$0.25	192,350	192,350	3.0
\$0.26 to \$1.29	941,431	86,926	2.3
	8,477,783	5,787,621	5.8

The weighted average fair value per option of options granted in the six months ended June 30, 2021 was \$1.29 (year ended December 31, 2020 - \$0.20). The fair values of options granted were measured based on the Black-Scholes pricing model. Expected volatility was determined based on comparable publicly listed companies. The inputs used in the measurement of the fair values at the modification and grant dates follows:

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

### (b) Share options (continued):

	Six months ended June 30 2021	Year ended December 31 2020
Risk-free interest rate	0.26%	0.22 – 0.73%
Dividend yield	0.00%	0.00%
Expected life (years)	4	2 - 4
Volatility	82.7%	66.2 - 133.1%
Forfeiture rate	0.0%	0.0%
Common share price at grant date	\$1.29	\$0.10 - \$0.85

### (c) Share purchase warrants:

The following tables summarize information about the Company's share purchase warrants:

	Warrants	Weighted average exercise price
Outstanding at December 31, 2019	20,456,971	\$ 0.12
Issuance of warrants	13,041,938	0.18
Issuance of warrants to brokers	2,614,900	0.20
Exercise of warrants	(20,262,806)	0.12
Outstanding at December 31, 2020	15,851,003	\$ 0.20
Issuance of warrants to brokers	1,155,750	1.20
Exercise of warrants	(10,264,638)	0.19
Outstanding at June 30, 2021	6,742,115	\$ 0.38

# GOOD NATURED PRODUCTS INC.

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

### (c) Share purchase warrants (continued):

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
October 2021	52,231	\$ 0.19	0.3
February 2022 <sup>1</sup>	916,663	0.10	0.7
December 2021 <sup>2</sup>	281,400	0.16	0.5
January 2022 <sup>2</sup>	121,305	0.16	0.6
February 2022	3,381,756	0.20	0.7
March 2022	236,610	0.20	0.8
December 2022	596,400	0.47	1.5
March 2023	1,155,750	1.20	1.7
	6,742,115	\$ 0.38	0.9

<sup>1</sup> The \$0.10 warrants expiring February 2022 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.

<sup>2</sup> The \$0.16 warrants expiring December and January 2022 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.

### (d) Other Equity Incentives:

During the six months ended June 30, 2021, pursuant to the Company's Omnibus Equity Incentive Compensation Plan, the Company granted

- 939,001 restricted share units ("RSUs") (Year ended December 31, 2020 – 2,885,000 RSUs). RSUs vest over a period of two or three years from the date of grant;
- 128,000 deferred share units (DSUs) (Year ended December 31, 2020 - nil DSUs). DSUs vest over a period of two years from the date of grant; and
- 1,457,044 performance share units (PSUs) (Year ended December 31, 2020 – nil PSUs). PSUs vest in accordance with the achievement of certain performance criteria over a period of one or two years.

Each unit entitles the holder to receive either one Common Share from treasury, the cash equivalent of one Common Share or a combination of cash and Common Shares, as the Board may determine in its sole discretion. The Company intends to settle these units in shares.

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

### (d) Other Equity Incentives (continued):

The value of the RSUs and DSUs was measured on the date of grant at \$1.29 per unit for a total of \$1,376 which will be amortized over the life of the respective terms (Year ended December 31, 2020 - \$0.15 - \$433).

The Company granted two types of PSUs. The fair value of the first group was estimated on the grant date using a Monte Carlo simulation model, taking into account the fair value of the Company's common shares on the date of grant, potential future dividends accruing to the PSU holder's benefit, volatility of 113%, and encompassing a wide range of possible future market and Company performance conditions. The fair value of the second group was estimated on the grant date using the fair value of the Company's common shares on the date of grant and potential future dividends accruing to the SPSU holder's benefit. The total value for the PSUs of \$1,560 will be amortized over the life of the respective terms (Year ended December 31, 2020 - Nil)

	RSUs	DSUs	PSUs	Total
December 31, 2019	-	-	-	-
Issuance	2,885,000	-	-	2,885,000
December 31, 2020	2,885,000	-	-	2,885,000
Issuance	939,001	128,000	1,457,044	2,524,045
June 30, 2021	3,824,001	128,000	1,457,044	5,409,045

## 9. Segmented information:

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

Sales in the six months ended June 30, 2021 from the top four customers amounted to \$5,947 or 29% of total revenue made up of 11%, 9%, 5% and 5% of total revenue. (Year ended December 31, 2020 - \$8,189 or 49% made up of 29%, 9%, 7% and 4%).

The Company had one account that accounted for greater than ten percent of accounts receivable for a total of \$1,702 or 15% at June 30, 2021 (December 31, 2020 – one accounts: \$795 or 14%).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Six months ended June 30, 2021 and 2020  
(In thousands of Canadian dollars) (Unaudited)

## 10. Cost of product revenue:

The following is a breakdown of the Company's cost of product revenue.

	Six months ended June 30	
	2021	2020
Variable cost of product	\$ 12,758	\$ 3,991
Fixed factory overhead	903	-
Depreciation	315	-
	\$ 13,976	\$ 3,991

Variable cost of product includes direct material, labour and inbound freight.

Fixed factory overhead includes allocated costs such as utilities, insurance, maintenance and property taxes.

## 11. Selling, general, and administrative:

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

	Six months ended June 30	
	2021	2020
Salaries and benefits	\$ 2,154	\$ 943
Other selling, general and administrative expenses	1,420	570
Outsourced supply chain, freight costs, and fulfillment	2,862	1,351
Acquisition related expenses	1,060	470
	\$ 7,496	\$ 3,334

## 12. Supplementary cash flow information:

	Six months ended June 30	
	2021	2020
Non-cash financing activities:		
Shares issued for conversion of debentures (note 8(a))	\$ 820	\$ -
Shares issued for conversion of BDC loan (note 7(d))	\$ 3,123	\$ -
Shares issued for conversion of other debt (note 7(d))	\$ 50	\$ -

## 13. Subsequent events:

### a) Equity Transactions

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

- the Company issued 400,000 shares upon the exercise of options at an average price of \$0.15 per share for gross proceeds of \$60; and
- the Company issued 504,119 shares upon the exercise of warrants at an average price of \$0.13 per share for gross proceeds of \$64.