

good natured Products Inc.

**Management Discussion & Analysis
for the Year Ended December 31, 2021**

as at May 2, 2022

introduction

This Management's Discussion and Analysis ("MD&A") of good natured Products Inc. ("*good natured*®", "GDNP", "the Company", "management", "we", "us" or "our") is prepared as at May 2, 2022 and provides an analysis of the Company's financial results for the year ended December 31, 2021. The following information should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the year ended December 31, 2019 ("FY2019"), December 31, 2020 ("FY2020") as well as the consolidated financial statements for the year ended December 31, 2021 ("FY2021"). *Unless otherwise indicated, all financial data in the MD&A was prepared with International Financial Reporting Standards ("IFRS") and all dollar figures are in thousands of Canadian dollars.* This MD&A uses financial measures that are not defined by IFRS. Please refer to the section entitled "*Non-IFRS Financial Measures*" for a complete description of these measures.

cautionary note regarding forward-looking statements

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information, as defined in securities laws. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information.

Forward-looking statements in this MD&A include all disclosure regarding possible events, conditions, circumstances, or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this MD&A and can be identified by words such as "may", "estimates", "projects", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding", or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for the introduction or enhancement of its services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, variable gross margins, operating expenses, profits, forecasts of future costs and expenditures, and other expectations, intentions and plans that are not historical fact. The forward-looking statements in this MD&A are based on

certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available, such information may prove to be incorrect. There are many risk factors and uncertainties that may affect the Company's actual results, performance, achievements, or developments. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the Company cannot assure investors that actual results, performance, achievements, or developments that the Company anticipates will be realized. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs, and opinions change, except as required by law.

non-IFRS financial measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

The Company relies on the following non-IFRS measures in its financial statements:

Adjusted EBITDA

The Company employs Adjusted EBITDA internally to measure its operating and financial performance and to assist in business decision making. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use this non-IFRS measure as information to evaluate the Company's operating and financial performance. Adjusted EBITDA provides an indication of the Company's continuing capacity to generate income from operations before considering the Company's financing decisions, share compensation, costs of amortizing capital assets and other significant or unusual

items. Accordingly, adjusted EBITDA comprises net income (loss) excluding financing costs, foreign exchange gains or losses, share compensation, amortization and depreciation, asset impairment, gains or losses on loans, acquisition related costs, selling, general and administrative (“SG&A”) costs tied to acquisition activities, restructuring, one-time charges, operational process engineering-related consultancy costs, asset impairment, and income taxes. With the Company being keenly focused on revenue growth, Adjusted EBITDA provides management a valuable, normalized metric for the evaluation of ongoing operating performance, strategic decisions, and future operating plans.

Variable Gross Margin & Variable Gross Profit

Variable Gross Margin (“VGM”) and Variable Gross Profit (“VGP”) are non-IFRS measures of the Company's product margin and profit contribution without fixed factory overhead. Management believes that VGM and VGP provide deeper insight into normalized product margins and profit related to variable material input costs, inbound freight and labour costs associated with producing the goods being sold. VGM and VGP also reflect contribution absent of fluctuations due to changes in volumes from factors such as mix of insourced versus outsourced manufacturing to respond to specific customer requirements for multiple-facility production, depreciation from facility capital investments and the addition of manufacturing facility acquisitions with factory overhead charges.

SG&A Excluding Acquisition Costs and One Time Charges

SG&A Excluding Acquisition and One Time Charges is a non-IFRS measure that management believes allows for a more accurate evaluation of the Company's ongoing SG&A costs to support its operations by disregarding one-time and/or periodic expenses associated with the execution of the Company's growth-through-acquisition strategy.

company overview

good natured[®] is passionately pursuing its goal of becoming North America's leading earth-friendly product company by offering the broadest assortment of plant-based products made all, or in part, from rapidly renewable resources instead of fossil fuels. The Company is focused on making it easy and affordable for business owners and consumers to shift away from petroleum to *better everyday products*[®] that use more renewable materials, less fossil fuel, and no chemicals of concern.

good natured[®] offers over 400 products and services through wholesale, direct to business, and retail channels. From plant-based home organization products to certified compostable food containers, bio-based industrial supplies and medical packaging, the Company is focused on making plant-based products more readily accessible for people to create meaningful environmental and social impact.

The Company's customer base includes retailers, food producers, food packers, consumer product companies, restaurants, packaging manufacturers and other industrial processors across three key market segments – National, Regional and Small Business – all of which are supported by a combination of inside and outside sales teams. The Company also offers direct purchasing through Amazon and its own e-commerce platform in the U.S. and Canada.

good natured[®] carries on business across five business groups: General Merchandise, Packaging, Industrial, Commercial Supplies, and Services. *good natured*[®] offers consumers, business owners and operators plant-based alternatives to everyday petroleum-based products that are being used in homes and businesses. The Company's operations are located in the United States and Canada, with 100% of revenue generated in North America. The Company is listed on the TSX Venture Exchange under the symbol "GDNP".

growth strategy

The Company aims to become North America's leading earth-friendly product company. In order to maximize the positive environmental impact, *good natured*[®] aims to offer the widest possible assortment of plant-based products made all or in part from rapidly renewable resources instead of fossil fuels. These products are marketed to a range of customer segments to deliver a diversified revenue and margin mix that de-risks the business. The Company also aims to gain the highest share of each customer's total spend on sustainable products to drive a strong recurring revenue model and enhanced customer loyalty.

The Company strives to achieve its growth objectives through a two-pronged approach:

1. Organic growth that is driven by a "land and expand" sales strategy that includes:
 - a. acquiring new customers through direct-to-business and direct-to-consumer customer selling;
 - b. cross selling additional products into the existing customer base; and
 - c. adding new sustainable product offerings that are relevant and complementary to the Company's most valuable customer segments.

2. Acquisitions focused on businesses that meet a combination of the following criteria:
 - a. diverse customer base;
 - b. large range of product offerings;
 - c. product offerings that expand addressable market or product categories;
 - d. new sustainable materials, manufacturing or business development technology;
 - e. cross selling opportunities to both parties' existing customer bases;
 - f. expansion into new market and/or geographies; and
 - g. strong supply chain capabilities and positive EBITDA.

The Company's targeted acquisitions may currently offer petroleum-based products that can be reformulated and re-launched using plant-based materials, or the business may have commercially ready plant-based products that can immediately enhance the *good natured*[®] product assortment.

If the acquired business produces a petroleum-based product assortment, the Company will plan to convert the petroleum-based products and customers to plant-based alternatives within approximately 18 months of the closing of the acquisition. The length of time to complete the conversion to plant-based materials will be primarily dependent on, but not limited to, the following factors:

1. the speed at which the Company can access and procure the required plant-based raw materials;
2. obligations the acquired business may have in place with its current raw materials suppliers;
3. existing raw material inventory levels;
4. seasonality or peak business periods, which may guide the optimal timing of raw material transitioning;
5. commercial agreements with customers of the acquired business that require the use of specific raw materials or processing methods to produce and/or certify their products; and
6. external supply chain disruption that may limit availability and/or delay delivery of plant-based materials.

The Company intends to divest any of the acquiree’s products and/or customer accounts that cannot be successfully converted to plant-based products over time and then re-invest the proceeds from any such divestiture back into the Company. An overview of the Company’s materials revenue mix can be found below under the “Discussion of Operations” section.

business model

The Company’s business model is structured to engage a diverse mix of customers across a broad and complementary range of eco-friendly products. This is intentionally designed to maximize positive environmental impact by offering product options that are relevant to more businesses and consumers. This broad base of business also proved to be particularly relevant during the COVID-19 pandemic, providing revenue resilience and growth opportunities.

The Company acquires customers across four distinct market segments and tailors its sales and service interactions accordingly. The Company conducts the vast majority of its marketing and sales activities in North America, which includes National, Regional, Small Business and Direct-to-Consumer customers, and deploys its wide assortment of plant-based products and services across five business groups to tailor its sales and service offerings accordingly to these target segments. Sales cycles and gross margin rates will vary by market segment, target customers, business groups and individual product categories. The Company’s National market segment typically has longer sales cycles and lower gross margin rates, while Direct-to-Consumer sales provide far shorter sales cycles and higher gross margin rates. Quarter over quarter, revenue mix by market segment, business group and product category will vary depending on actual revenue recognition and shipments in that quarter. This will contribute to short-term variation in Variable Gross Margin and gross margins rates in each financial reporting period that may not be indicative of longer-term trends and the successful execution of the business model.

recent developments

- On March 9, 2022, the Company announced that it had filed for patent protection of its novel tamper evident design and submitted a trademark application for the GoodGuard™ brand name, optimized for compostable and bio-based materials and only available from *good natured*®.
- On Feb 25, 2022, the Company announced that pursuant to the Company’s Omnibus Equity Incentive Compensation Plan, it was granting stock options (“Options”), performance share units (“PSUs”) and restricted share units (“RSUs”) to certain employees, officers, and directors of the Company.
- On Jan 19, 2022, the Company filed a final short form base shelf prospectus (the “Shelf Prospectus”). The Shelf Prospectus will enable the Company to issue common

shares, preferred shares, debt securities, warrants, subscription receipts, or any combination thereof, for an aggregate offering price of up to \$200,000,000 at any time during the 25-month period that the Shelf Prospectus is effective.

For additional information please refer to the Company's AIF dated May 2, 2022, available on the Company's SEDAR profile at www.sedar.com as well as on the Company's investor website at investor.goodnatureproducts.com

COVID-19 pandemic update

The Company has continued to operate all of its North American facilities during the COVID-19 pandemic. The Company continues to reinforce government-mandated measures implemented to mitigate health risks to employees, business partners and communities where the Company operates and prevent disruptions. These measures continue to evolve and have included rigorous hygiene and cleaning practices, physical distancing policies, return-to-work health monitoring and testing protocols, business travel restrictions, and phased workplace reintegration of office employees.

To date, the Company has not experienced a material disruption to operations as a result of the COVID-19 pandemic. While there have been ongoing impacts to supply chain, timing of production and new product launches, the Company was able to generate strong revenue growth in 2021. The impact of the ongoing COVID-19 pandemic on the demand for the Company's products, as well as on the Company's operations and those of its suppliers and customers, remains uncertain and cannot currently be predicted. The COVID-19 pandemic and the varying actions taken by government authorities and other businesses to reduce the spread could still directly or indirectly disrupt the Company's operations and/or those of its suppliers or customers, which in turn could adversely impact the business, financial position, results of operations and cash flow of the Company.

overall performance

Selected Financial Information

The following table summarizes certain financial data from the financial statements of the Company for FY2021, FY2020 and FY2019.

	2021	2020	2019
Revenue	\$ 61,132	\$ 16,713	\$ 10,099
Adjusted EBITDA ¹	\$ (68)	\$ (1,522)	\$ (1,446)
Net loss	\$ (12,695)	\$ (7,187)	\$ (3,751)
Basic and diluted loss per common share	\$ (0.06)	\$ (0.06)	\$ (0.03)

¹ Refer to Non-IFRS definitions section above

	2021	2020	2019
Assets	\$ 90,529	\$ 51,974	\$ 12,320
Liabilities	\$ 69,437	\$ 50,162	\$ (16,962)
Asset to liability ratio	\$ 1.30	\$ 1.04	\$ 0.72
Cash and cash equivalents	\$ 10,655	\$ 8,114	\$ 8,455
Net working capital	\$ 20,618	\$ 5,552	\$ 7,348

Over the last three fiscal years, the Company's revenue growth has ranged from 65% to 266%. Factors that affected year-over-year revenue growth included, but were not limited to:

- the Company completed acquisitions in May 2021, December 2020, and May 2020 (see "Key Acquisitions" section);
- the Company's product offering grew from 100 products at December 31, 2018 to over 400 products at December 31, 2021;
- in FY2019 the Company commenced sales into the industrial sector, with an initial customer that accounted for greater than 10% of total revenue in FY2019;
- the Company's active B2B customers grew from over 171 National, Regional, and Small Business accounts at December 31, 2018 to over 1,200 at December 31, 2021;
- in FY2020, COVID-19 pandemic restrictions caused sudden and extreme impact on revenues associated with the hospitality industry, which were offset over a longer period

with stronger revenues from grocery food packaging, eCommerce sales, COVID-19 medical face shields and COVID-19 testing kit packaging.

- on October 13, 2021, the Company announced it had commenced shipping commercial quantities to a large U.S. food producer that is expected to produce approximately USD \$13 million in revenue in the first year; and
- in FY2021, in response to external supply chain and inflationary cost, the Company increased product pricing and implemented shipping surcharges that resulted in higher selling prices per unit.

Over the last three fiscal years, the Company's net loss ranged from \$3,474 to \$12,695. Factors that affected changes in net loss included, but were not limited to:

- additional headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions resulted in increased selling, general, and administrative costs;
- increase in share-based compensation due to overall headcount increases from acquisitions, new hires, and an increase in share based compensation for executives;
- the physical and intangible assets associated with the acquisitions led to increased depreciation and amortization costs;
- acquisition-related activity and one-time charges have fluctuated based on the number and size of acquisitions completed in any fiscal year;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and acquisitions over the past three fiscal years. This has resulted in increased financing costs;
- in FY2021, external supply chain and inflationary cost increases resulted in higher costs associated with logistics and fulfillment. In addition, the Company made the strategic decision to build inventory in anticipation of supply chain disruptions, which increased warehousing costs; and
- in Q4 2021, the Company completed a convertible debenture offering and senior credit facility, the proceeds of which were substantially used to retire existing debt. This resulted in the payment of cash interest costs associated with debt prepayment and the non-cash write-down of deferred financing costs.

Additional details regarding these factors can be found in the Company's audited consolidated annual financial statements and related notes for FY2019, FY2020, and FY2021.

Selected Financial & Operational Highlights

The following are selected financial and operational highlights for the year ended December 31, 2021:

- Achieved record quarterly revenue of \$22,860 for the three months ended December 31, 2021 (“Q4 2021”) as compared to \$5,326 for the three months ended December 31, 2020 (“Q4 2020”), an increase of 329%.
- Achieved record annual revenue of \$61,132 in FY2021, a 266% increase from \$16,713 in FY2020.
- Tripled the Company’s active B2B customer base to over 1,200 customers at December 31, 2021 compared to 400 at December 31, 2020.
- On May 28, 2021, closed the acquisition of the assets of Ex-Tech Plastics Inc. (“Ex-Tech”) (see "Key Acquisitions" for more details). With the acquisition of Ex-Tech, the Company has become one of North America’s leading rollstock sheet extruders, serving over 200 thermoforming customers across the U.S. and Canada. Upon acquisition, the Company integrated its existing U.S. industrial operations with Ex-Tech’s.
- Achieved a major milestone by producing 100% of the required rollstock extruded sheet for its thermoformed packaging business from its wholly owned facilities (Integrated Packaging Films (“IPF”) & Ex-Tech). This milestone was achieved while the Company’s Industrial business group also delivered record shipments to customers.
- Generated Variable Gross Margin of 32% for 2021 compared to 38% for 2020, a decrease of 600 basis points. Gross margin was 26% for 2021 compared to 37% for 2020. The reduction in Variable Gross Margin and gross margin was driven by a higher percentage revenue contribution from the Company’s National market segment and Industrial business group, changing mix of insourced manufacturing vs outsourced manufacturing, as well as the Ex-Tech acquisition that has lower gross margins due to a higher number of National customers purchasing products from the Company’s Industrial business group.
- Adjusted EBITDA for FY2021 was \$(68), compared to \$(1,522) for FY2020, an improvement of 96%.
- Assets increased to \$90,529 as at December 31, 2021, compared to \$51,974 as at December 31, 2020, an increase of 74%. This increase can be predominantly attributed to the Company’s acquisition of Ex-Tech, in addition to capital investments in high-speed machinery.
- The Company’s asset-to-liability ratio improved to 1.3x as at December 31, 2021, compared to 1.04x as at December 31, 2020. This can be attributed to the equity raise in Q1 2021, the acquisition of Ex-Tech, in addition to capital investments in high-speed machinery.
- Cash and cash equivalents increased to \$10,655 as at December 31, 2021, compared to \$8,114 as at December 31, 2020. This increase was driven by financing activities and offset

by cash use in operations and investing activities (see “Cash Flow” section for further details).

- Net working capital increased to \$20,618 as at December 31, 2021, compared to \$5,552 as at December 31, 2020, an increase of 271%. This increase was largely driven by a combination of the Ex-Tech acquisition, in addition to financing activities (see “Capital Resources” section for further details).

Key Acquisitions

On May 28, 2021, the Company completed the acquisition of all operating assets of Ex-Tech and real estate assets owned by a related company ETP Inc. for cash consideration of \$15,337. Ex-Tech is a manufacturer of high quality, rigid plastic sheets that operates seven different extrusion lines in a dedicated 75,000 square foot facility on 9.5 acres of land. Ex-Tech’s 105 customers, primarily National customers located in the midwestern and southwestern United States, serve a diverse set of end markets, including retail, food, and medical packaging. The Company used \$5,875 in cash from treasury and secured the following financing to complete the acquisition and pay related integration costs: \$6,067 term loan from a Canadian financial institution and a \$3,427 mortgage with American Community Bank & Trust. Ex-Tech’s revenues for the year ended December 31, 2020 were approximately \$33,000 with variable gross margins of 30% and gross margins of 21%.

discussion of operations

The Company completed the acquisitions of Shepherd Thermoforming & Packaging Inc. (“Shepherd”) in the second quarter of 2020, IPF in the fourth quarter of 2020, and Ex-Tech in the second quarter of 2021. As a result, the information contained in these consolidated financial statements and management discussion and analysis may not be directly comparable to previously reported periods.

	For the year ended Dec.		
	FY2021	FY2020	+/-
Revenue	\$ 61,132	\$ 16,713	266%
Variable cost of product	(41,462)	(10,298)	303%
Variable Gross Profit ¹	19,670	6,415	207%
Variable Gross Margin %	32.2%	38.4%	
Fixed factory overhead	(4,033)	(179)	2153%
Gross profit	15,637	6,236	151%
Gross margin %	25.6%	37.3%	
Fulfilment & logistics	(6,382)	(3,454)	85%
Selling, general & administrative, excluding acquisition costs and one time charges ¹	(10,249)	(4,336)	136%
Share-based compensation	(2,254)	(262)	760%
Depreciation	(1,071)	(484)	121%
Financing costs	(4,552)	(3,440)	32%
Exchange gain (loss)	(315)	118	-367%
Loss on debenture redemption and conversion	(1,148)	(413)	178%
Gain on interest free loan	85	83	2%
Acquisition related expenses & one time charges	(2,572)	(1,315)	96%
Deferred income taxes recovery	126	80	58%
Net loss for the period	\$ (12,695)	\$ (7,187)	77%
Adjusted EBITDA loss ¹	\$ (68)	\$ (1,522)	-96%

¹ Refer to Non-IFRS definitions section above.

Revenue

Revenue for Q4 2021 increased 329% to \$22,860, as compared to \$5,326 for the three months ended December 31, 2020. Revenue for FY2021 increased 266% to \$61,132 as compared to \$16,713 in FY2020. The Company's FY2021 revenue growth rate outpaced its 5-year compound annual growth rate of 111%. The Company estimates that approximately \$36,950 of the \$61,132 revenue in FY2021 came from acquisitions. Organic revenue growth for FY2021 is estimated at 45%, up from an estimated 22% in FY2020. Revenue from acquisitions is estimated to have contributed 83% of the overall change in revenue for FY2021, with organic revenue having contributed the remaining 17%.

The year-over-year growth in revenue in Q4 2021 and FY2021, was driven by revenue from acquisitions, including 4 months of revenue from the Shepherd acquisition, which was completed in May 2020, 11 months of revenue from the IPF acquisition, which was completed in December 2020, and 7 months of revenue from the Ex-Tech acquisition, which was completed in May 2021. The strong revenue growth contribution from acquisitions was complemented with substantial organic growth driven by initial shipments to a new National U.S. food producer, as announced on October 13, 2021. The Company also realized revenue growth through increases of its average selling price per unit, as well as onboarding of new organic customers.

Growing consumer demand for sustainable products, increasing regulatory pressure, lifting of COVID-19 pandemic restrictions, marketplace supply chain disruptions, reshoring of manufacturing, and family-owned business desire to sell their business and/or merge for stronger market positioning are strong macro trends for overall demand and continued growth.

The Company continues to focus on growth during the current period of inflationary pressures and macro-economic disruptions by prioritizing service and supply to its existing customer base with minimal disruption, while also onboarding new customers that are facing shortages due to supply chain disruptions.

Revenue Mix by Business Group and Geography

The following table breaks down the percentage of the Company's revenues for each business group:

	Year Ended December 31		
	2021	2020	2019
Revenue	\$ 61,132	\$ 16,713	\$ 10,099

Business Groups			
Industrial	77%	49%	69%
Packaging (Stock & Custom)	20%	44%	26%
General Merchandise	2%	5%	5%
Commercial and Business Supplies	<1%	-	-
Services	1%	2%	-
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Revenue from the U.S.	80%	67%	97%
Revenues from Canada	20%	33%	3%
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For FY2021, revenue for the Industrial business group grew by 480% or \$39,055. The Industrial business group contributed 77% of total revenue, compared to 49% for FY2020. The increased percentage of revenue from the Industrial business group was driven by the completion of the Ex-Tech and IPF acquisitions.

For FY2021, revenue for the Packaging business group grew by 65% or \$4,830. The Packaging business group contributed 20% of total revenue, compared to 44% FY2020. The reduction in percentage of Packaging revenue contribution in FY2021 was driven by the substantial increase in the Industrial business group revenue contribution due to the recent IPF and Ex-Tech acquisitions, not a net shrinking of the Packaging business group in actual dollars.

With significant extruded sheet production capacity secured to support its thermoformed packaging capability through the acquisitions of Ex-Tech and IPF, the Company is focused on increasing the percentage of revenue contribution from its Packaging, General Merchandise, Services and Commercial & Business Supplies business groups in 2022.

Customer Revenue Mix

	Year ended December 31		
	2021	2020	2019
Revenues to Top 4 Customers	22%	49%	74%

As at December 31, 2021 the Company served over 1200 active National, Regional, and Small B2B customers across Canada and the United States compared to 400 B2B customers at December 31, 2020. In FY2021, the Company saw an increase in customers in the National market segment due to the recent acquisition of Ex-Tech. The Company's customer mix continues to diversify, with the top 4 customers in FY2021 representing 22% of total revenues, compared to 49% in FY2020.

Materials Revenue Mix

The table below represents estimated and unaudited percentages of revenue from products made from plant-based materials (i.e. PLA, Bio-PET, Bio-PE) and petroleum materials (i.e. PET, PE, PVC) for the total Company and by Business Group.

These percentages are expected to vary from year to year, quarter to quarter, and by business group as the Company deploys its strategy to acquire businesses that may make products using petroleum materials. As stated earlier, the Company aims to convert all acquired businesses' petroleum products to plant-based materials within approximately 18 months following the closing of the acquisition, subject to a number of supply chain and customer relationship factors.

	FY2021	FY2020
Revenues		
Plant-based materials	41%	74%
Petroleum materials	59%	26%
2021		
Business Groups	Plant-based	Petroleum
Packaging	98%	2%
General Merchandise	100%	0%
Industrial	23%	77%
Commercial Business Supplies	100%	0%
Services	NA	NA

The Company completed three acquisitions of businesses that produced products using petroleum materials in the last three years: Shepherd in May 2020, IPF in December 2020, and Ex-Tech in May 2021.

The transition to plant-based materials at Shepherd was 97% complete on a revenue contribution basis at December 31, 2021, with one customer account remaining that is in the process of finalizing its global standard for plant-based materials.

Ex-Tech, which comprised the largest component of the Industrial business group in FY2021, represented approximately 50% of the Company's total revenue mix following the closing of the acquisition. This acquisition accounts for the vast majority of reduction in percentage of plant-based material revenue mix for FY2021.

Due to current global supply chain disruptions, the Company anticipates that the completion of the IPF and Ex-Tech conversions to plant-based materials will extend beyond the targeted 18-month timeframe.

Variable Gross Margin & Variable Gross Profit

The table below provides a reconciliation of gross profit to Variable Gross Profit:

	Three months ended		Year ended	
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
Revenue	\$ 22,860	\$ 5,326	\$ 61,132	\$ 16,713
Variable cost of product	(15,880)	(3,397)	(41,462)	(10,298)
Variable Gross Profit ¹	6,980	1,929	19,670	6,415
Variable Gross Margin %	30.5%	36.2%	32.2%	38.4%
Fixed factory overhead	(1,385)	(147)	(3,182)	(147)
Depreciation	(265)	(32)	(851)	(32)
Gross profit	\$ 5,330	\$ 1,750	\$ 15,637	\$ 6,236
Gross margin %	23.3%	32.9%	25.6%	37.3%

¹ Refer to Non-IFRS definitions section above

Variable Gross Margin for Q4 2021 was 30.5% compared to 36.2% for Q4 2020. Variable Gross Margin for FY2021 was 32.2% compared to 38.4% for FY2020. Variable Gross Margins will fluctuate over financial periods based on short-term revenue mix adjustments caused by completed acquisitions, market segment mix (National, Regional, Small Business, Direct to Consumer) and by business groups and product categories. The Company currently targets a Variable Gross Margin range of 28% to 35% on an annual basis.

Variable Gross Margin for FY2021 was largely influenced by the following factors:

- Lower medical packaging revenue – a significantly smaller revenue contribution from higher margin COVID-19 packaging and face shields in FY2021 versus FY2020. COVID-19 packaging, and face shields represented approximately 2% of FY2021 total revenues as compared to 9% for the FY2020. Medical packaging represents one of the Company's highest Variable Gross Margin rate categories.
- Lower Packaging business group revenue mix – the Packaging business group accounted for 20% of revenues for FY2021, as compared to 44% in FY2020. The change in the revenue mix was primarily driven by completing two acquisitions, Ex-Tech and IPF, within the Industrial business group, with FY2021 showing a full year's worth of revenue from IPF and 7 months' revenue from Ex-Tech. These acquisitions were specifically targeted to strengthen the Company's supply chain capability and further accelerate the Company's Packaging business group growth rate and production capability. The Packaging business group typically has higher Variable Gross Margins when compared to the Industrial business group. The Company anticipates the Packaging business group revenue mix contribution to increase in 2022 based on the recent announcement of a new National U.S. food producer that is expected to deliver approximately US\$13 million in organic revenue in its first year. While the improvement in revenue mix from the Packaging business group should have a positive impact on Variable Gross Margins, National customer accounts typically deliver lower Variable Gross Margins compared to Regional and Small Business customers.
- Higher mix of revenues from the National market segment in FY2021 as compared to FY2020. The higher revenue mix of National customers was primarily driven by the completion of the Ex-Tech acquisition.
- External supply chain and Inflationary cost increases – the Company saw higher raw material and logistics costs driven by external supply chain increases and inflation throughout FY2021 as compared to FY2020. The Company adjusted its pricing to offset cost increases, but with a lagged effect over certain periods.

The Company, like many businesses and industries, has been impacted by recent global supply chain disruptions. Supply chain dislocations that are evident within shipping routes and other forms of transportation and warehousing are caused by labour, port entry delays, and material shortages in various aspects of global logistics networks. These factors may result in shortages of key manufacturing components, order backlogs, delivery delays and an increase in transportation costs. The Company has taken a position to minimize supply chain disruptions for its existing customers and to secure new customers who are not being adequately served by their current suppliers, even if the margins for these customers are lower in the near term prior to upward pricing adjustments.

Gross Margin

Gross margin for Q4 2021 was 23.3% compared to 32.9% for Q4 2020. Gross margin for FY2021 was 25.6% compared to 37.3% FY2020. Gross margin reflects the deduction of fixed factory overhead, which includes manufacturing equipment depreciation and allocated costs such as utilities, insurance, maintenance, and property taxes. Gross margin will vary over financial periods based on revenue mix changes caused by completed acquisitions, customer mix (National, Regional, Small Business, Direct to Consumer), and by business groups and product categories. The Company currently targets a Gross margin range of 21% to 28% on an annual basis.

The decrease in Gross margin in FY2021 was largely driven by the same factors that impacted Variable Gross Margin, as outlined above. Other factors included:

- Revenues generated from products that are manufactured using the Company owned and operated facilities, referred to as "insourced manufacturing", contributed approximately 81% of revenues for Q4 2021 and 79% for FY2021, as compared to 46% for Q4 2020 and 36% FY2020. The higher insourced manufacturing revenues in Q4 2021 contributed to lower Gross margin. As described above, the Company uses Variable Gross Margin to provide a like-for-like comparison of overall gross margin rate, regardless of whether the products are manufactured insource or outsourced.

Fulfilment & Logistics

The following is a breakdown of the material components of fulfilment and logistic expenses in FY2021 compared to FY2020:

	Three months ended December 31			Year Ended December 31		
	2021	2020	+/-	2021	2020	+/-
Outsource fee	\$ 109	\$ 596	(58%)	\$ 1,269	\$ 3,454	(24%)
Fulfilment	1,333	538	145%	3,820	2,291	138%
Overhead	407	-	-%	1,293	1,611	-%
Total Fulfilment & Logistics	\$ 1,849	\$ 1,134	74%	\$ 6,382	\$ 3,454	89%
Total Fulfilment & Logistics as a % of Revenue	8%	21%		10%	21%	

Fulfilment costs as a percentage of revenue for Q4 2021 were 8%, compared to 21% in Q4 2020. FY2021 fulfilment and logistic expenses were 10% of revenue, compared to 21% in FY2020. Fulfillment costs increased \$2,928 for FY2021, which was driven by the IPF and Ex-Tech acquisitions, external inflationary supply chain costs, and increased warehousing costs associated with the build-up of inventory to serve customers. This was partially offset as the Company

experienced a decrease in outsourced manufacturing fees due to the acquisition of Ex-Tech in May 2021 which, prior to the acquisition, served as a outsourced manufacturing partner for the Company.

Selling, General and Administrative

The following is a breakdown of the material components of SG&A expenses in Q4 2021 and FY2021 compared to the three months ended December 31, 2020 and FY2020:

	Three months ended December 31			Year Ended December 31		
	2021	2020	+/-	2021	2020	+/-
SG&A Wages	1,517	739	105%	5,700	2,291	149%
SG&A Other	1,514	632	140%	4,030	1,611	150%
Product Development	194	116	67%	519	434	20%
Acquisition related activity & One-Time Charges	886	700	27%	2,572	1,315	96%
SG&A	\$ 4,111	\$ 2,187	88%	\$ 12,821	\$ 5,651	127%
SG&A % of Revenue	18%	41%		21%	34%	
SG&A excluding acquisition activity & One-Time Charges	\$ 3,225	\$ 1,487	117%	\$ 10,249	\$ 4,336	136%
SG&A % of Revenue excluding acquisition related & One-Time charges	14%	28%		17%	26%	

SG&A as a percent of revenue for FY2021 was 21% compared to 54% for FY2020. The 127% increase in SG&A expenses in FY2021 as compared to FY2020 is due to the following factors:

- wages increased by 149%, representing 48% of the total SG&A increase. \$3,409 of the wage increase is a result of headcount added from the IPF and Ex-Tech acquisitions, as well as additional corporate headcount added in first half of FY2021 to manage requirements driven by the growth of the business and for initiatives to strengthen administrative functions;
- “SG&A other” increased by 150%, representing 34% of the total SG&A increase. This is largely comprised of, but not limited to, expenses such as accounting and audit fees, investor relations expenses, marketing & advertising, general legal fees, as well as additional SG&A as a result of the acquisition of Ex-Tech.
- acquisition related activity & one-time charges increased \$1,257, representing 18% of the total SG&A increase. This was driven by costs from the Ex-Tech acquisition and one-time costs and professional fees tied to process improvements.

The Company will continue its focus on driving rapid revenue growth while maintaining its objective to improve Adjusted EBITDA on an annualized basis.

Adjusted EBITDA

The following is a reconciliation of Adjusted EBITDA to net loss:

	Three months ended				Year ended	
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
Income (loss) for the period	\$ (4,175)	\$ (3,153)	\$ (12,695)	\$ (7,187)		
Share-based compensation	498	98	2,254	262		
Depreciation	253	192	1,071	484		
Depreciation in COGS and SG&A	284	32	926	32		
Financing costs	1,618	764	4,552	3,440		
Foreign exchange loss (gain)	262	295	315	(118)		
Loss on debt repayment and conversion	936	250	1,148	413		
Gain on interest-free loan	(42)	(17)	(85)	(83)		
Acquisition related activity and One-time charges	886	700	2,572	1,315		
Deferred income taxes	20	-	(126)	(80)		
Adjusted EBITDA ¹	\$ 540	\$ (839)	\$ (68)	\$ (1,522)		

¹ Refer to Non-IFRS definitions section above

For Q4 2021, the Company recorded Adjusted EBITDA of \$540 compared to an Adjusted EBITDA loss of \$839 for the three months ended December 31, 2020. For FY2021, the Company recorded an Adjusted EBITDA loss of \$68 compared to an Adjusted EBITDA loss of \$1,522 for FY2020. In addition to factors already outlined above in the SG&A section, the reduction of the Adjusted EBITDA loss to approximately break-even level in FY2021 was driven by the following factors:

- overall revenue grew by \$44,419 or 266% compared to FY2020, and Variable Gross Profit increased by \$13,386 or 209%;
- estimated acquisition revenue growth contribution was \$36,950, an increase of 840%, with organic revenue growth of \$7,469, an increase of 61%;
- the increase in gross profit contribution of \$9,401. Gross margin decreased from FY2020 to FY2021 mainly as a result of increased revenue contributions from the Industrial business group due to the Ex-Tech acquisition (see discussion in “Variable Gross Margins” section); and
- The increase in gross profit exceeded the growth in SG&A expenditures (excluding non-cash items).

The Company anticipates external inflationary cost increases and supply chain disruptions to continue through 2022, which may put pressure on Adjusted EBITDA.

Net Loss

For FY2021, the Company incurred a comprehensive net loss of \$12,067 or \$0.06 per Common Share compared to a comprehensive net loss of \$6,925 or \$0.06 per Common Share in FY2020. In addition to factors already outlined above in the Adjusted EBITDA section, the increase in net comprehensive loss in FY2021 was driven by the following factors:

- \$2,254 in additional stock compensation due to overall headcount increases from acquisitions, new hires, and an increase in share base compensation for executives. Stock based compensation to executives accounted for \$1,193 of this increase, with the remainder attributable to the overall headcount;
- \$1,997 in additional depreciation costs associated with the acquisitions of IPF and Ex-Tech; and
- additional financing costs and interest penalties from early retirement of long term, and non-cash losses from debt as a result of consolidating the Company's debt structure through the National Bank refinancing.

Update on Use of Proceeds

On October 28, 2021, the Company successfully closed an offering of convertible debentures and a senior credit facility (see discussion under the Liquidity section). The Company used the proceeds from the senior credit facility to consolidate its remaining senior indebtedness with one senior secured debt financing partner (the "Refinancing").

The Company's objective in completing the Refinancing was to improve working capital, reduce principal payments through the end of 2024 and reduce the Company's weighted average interest cost on long term debt.

The following table compares the intended use of proceeds from the Company's past financings with the actual expenditures made as of the date of this MD&A.

<u>Intended Use of Net Proceeds</u> ⁽¹⁾	<u>Proposed Amount of Net Proceeds</u>	<u>Actual Use of Net Proceeds as of Dec 31, 2021</u>	<u>Remaining to be Spent</u>
Offering of convertible debentures for net proceeds of \$16,228,135 and closing of three senior credit facilities with National Bank completed on October 28, 2021.			
Debt Refinancing	\$33,851,606	\$31,087,095	\$2,764,511
Bought deal offering of 19,262,500 Common Shares at a price of \$1.20 per Common Share completed on March 4, 2021 (the "March 2021 Offering").			
Capital Expansion Projects ⁽²⁾	\$4,275,000	\$1,673,000	\$2,602,000
Future Acquisitions ⁽³⁾	\$10,000,000	\$6,515,510	\$3,484,590
Bought deal private placement of 8,520,000 Common Shares issued at a price of \$0.47 per Common Share completed December 17, 2020 (the "December 2020 Offering")			
Acquisition of IPF	\$3,649,000	\$3,649,000	\$0
Brokered private placement of 23,851,436 convertible debenture units at a price of \$0.14 per unit completed on September 30, 2020.			
Redemption of outstanding February 2018 debentures and growth working capital.	\$2,753,573	\$2,753,573	\$0
Second tranche of private placement of 1,190 convertible debenture units at \$1000 per unit completed on January 23, 2020.			
Redemption of outstanding February 2018 debentures.	\$1,084,928	\$1,084,928	\$0

(1) Table does not include proceeds from financings that were intended to be applied to the Company's working capital.

(2) Monies remaining to be allocated were redirected toward working capital, and/or to fund upcoming growth initiatives.

(3) The Company's capital projects have long term completion dates and monies remaining to be spent will be deployed over coming quarters.

(4) Monies remaining to be spent for future acquisitions have been redirected toward growth working capital as a result of market condition changes and delayed financings.

summary of selected quarterly results

The following table summarizes the results of the Company's operations for each of the eight (8) most recently completed quarters:

Three months ended		Dec. 2021		Sept. 2021		Jun. 2021		Mar. 2021
Revenues	\$	22,860	\$	18,001	\$	12,371	\$	7,900
Adjusted EBITDA ¹	\$	540	\$	(588)	\$	(175)	\$	155

Net income (loss)	\$	(4,175)	\$	(2,919)	\$	(3,698)	\$	(1,903)
Basic and diluted loss per common share	\$	(0.02)	\$	(0.01)	\$	(0.02)	\$	(0.01)
Three months ended		Dec. 2020	Sept. 2020	Jun. 2020	Mar. 2020			
Revenues	\$	5,326	\$	4,659	\$	3,676	\$	3,052
Adjusted EBITDA ¹	\$	(839)	\$	(337)	\$	(40)	\$	(308)
Net income (loss)	\$	(3,153)	\$	(1,712)	\$	(1,514)	\$	(806)
Basic and diluted loss per common share	\$	(0.02)	\$	(0.01)	\$	(0.01)	\$	(0.01)

¹ Refer to Non-IFRS definitions section above

Over the last eight quarters, the Company's quarter-over-quarter revenue growth has ranged from 14% to 57%. Factors that affected quarter-over-quarter revenue growth include, but are not limited to:

- the Company completed acquisitions in June 2021, December 2020, and March 2020 (See "Key Acquisitions" section);
- the Company's product offering grew from 130 products at December 31, 2019 to over 400 products at December 31, 2021;
- the Company's active B2B customers grew from over 250 national, regional, and small business customers at December 31, 2019 to over 1,200 at December 31, 2021;
- in FY2020, COVID-19 pandemic restrictions caused sudden and extreme impact on revenues associated with the hospitality industry, which were offset over a longer period with stronger revenues from grocery food packaging, eCommerce sales, COVID-19 medical face shields and COVID-19 testing kit packaging;
- in response to external supply chain and inflationary costs, the Company began increasing product pricing and implemented shipping surcharges in the second fiscal quarter that resulted in higher selling prices per unit; and
- on October 13, 2021, the Company announced it had commenced shipping commercial quantities to a large U.S. food producer that is expected to produce approximately USD \$13 million in revenue in the first year.

Over the last eight quarters, the Company's net loss ranged from \$806 to \$4,175. Factors that affected changes in net loss included, but were not limited to:

- additions to headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from the acquisitions noted above, which resulted in increased selling, general, and administrative costs;

- increase in share-based compensation due to overall headcount increases from acquisitions, new hires, and an increase in share based compensation for executives;
- the physical and intangible assets associated with the acquisitions noted above led to increased depreciation and amortization costs;
- acquisition-related activity and one-time charges based on the number and size of acquisitions completed in any given quarter;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and acquisitions. This has resulted in increased financing costs;
- beginning in Q1 2021, external supply chain and inflationary cost increases resulted in higher costs associated with logistics and fulfillment. In addition, the Company made the strategic decision in Q4 2020 to start building inventory in anticipation of supply chain disruptions, which increased warehousing costs; and
- in Q4 2021, the Company completed a convertible debenture offering and senior credit facility, the proceeds of which were substantially used to retire existing debt. This resulted in the payment of cash interest costs associated with debt prepayment and the non-cash write-down of deferred financing costs.

Additional details regarding these factors can be found in the Company's audited consolidated annual financial statements and related notes for FY2020 and FY2021.

The financial data above for the eight (8) most recently completed quarters was prepared in accordance with IFRS, except that Adjusted EBITDA is a non-IFRS measure (See “non-IFRS Financial Measures”). For additional information and discussion on prior quarters, please refer to the Company's SEDAR profile at www.sedar.com.

Liquidity

The Company believes that it has adequate cash and cash equivalents and ability to pursue additional sources of funding to fund its minimum obligations and growth plans. At December 31, 2021, the Company had cash and net working capital of \$10.7 million and \$20.6 million respectively, \$43.3 million of long-term debt and access to \$5.8 million of undrawn committed credit facilities.

On October 28, 2021, the Company successfully closed a \$17.2 million offering of convertible unsecured subordinated debentures (the "Offering") and secured \$25.8 million in senior credit facilities for a total of \$43.3 million in debt financing with an additional uncommitted \$10 million in facilities available at the discretion of National Bank.

The Company received \$17.2 million in gross proceeds from the Offering. The debentures mature on October 31, 2026 and accrue interest at the rate of 7.00%, payable semi-annually in arrears on April 30 and October 31 of each year, commencing April 30, 2022. The debentures are convertible at the holder's option into fully paid Common Shares of the Company at any time prior to the earlier of October 31, 2026 and the business day immediately preceding the date fixed for any redemption. The conversion price is \$1.06 for each common share, subject to adjustment in certain circumstances.

The \$25.8 million in senior credit facilities were secured with National Bank and included:

- \$15.0 million revolving working capital facility with a 2-year term and an uncommitted \$10 million accordion available at the discretion of National Bank;
- \$4.0 million revolving term credit facility to finance capital expenditures, amortized over 84 months; and
- a \$6.8 million non-revolving term credit facility.

The Company notes that liquidity and available funds improved substantially as net working capital at December 31, 2021 improved to \$20.6 million compared to \$5.6 million at December 31, 2020, and the Company increased available credit by \$5.8 million from committed facilities and \$10 million from uncommitted facilities. The new debt financing was used to repay the Company's working capital facility from Comerica Bank as well as to repay long-term debt from BDC Capital Inc. and other Canadian financial institutions. The new debt structure has improved the Company's average interest rates and optimized its debt repayment obligation schedule, enabling the Company to pursue further growth opportunities, whether through acquisition or investment in capital in the short term.

The Company has drawn an aggregate of \$19.9 million across all three credit facilities. As of the date of this MD&A, the Company has \$5.8 million of available credit with National Bank (\$3.8 million from the revolving facility and \$2.0 million from the capital expenditure facility) and an uncommitted \$10 million accordion which is available at the discretion of National Bank.

The Company anticipates that in the coming year, these capital resources will be used to fund future expansion in manufacturing capacity to facilitate organic growth, as well as potential acquisitions.

Management views liquidity risks associated with the financial instruments of the Company as immaterial. See "Financial Instruments" below.

Cash Flows

Below is a summary of cash flows provided by/used in operating, financing, and investing activities in FY2021 compared to FY2020:

		Year ended		Change	
	Dec. 2021	Dec. 2020	\$	%	
Cash used in operating activities	\$ (13,661)	\$ (6,676)	\$ (6,985)	105%	
Cash provided by financing activities	36,387	28,194	8,193	29%	
Cash used in investing activities	(20,251)	(22,006)	1,755	8%	
Effect of foreign exchange rate changes on cash	66	147	(81)	(55%)	
Net change in cash	\$ 2,541	\$ (341)	\$ 2,882	845%	
Beginning cash	8,114	8,455	(341)	(4%)	
Ending cash	\$ 10,655	\$ 8,114	\$ 2,541	31%	

Cash used in operating activities for FY2021 was \$13,661 compared to \$6,676 in FY2020, an increase of \$6,985. A total of \$7,159 of this operating cash use was driven by the Company's investment in non-cash working capital, comprised mainly of increases in raw material purchases and overall inventory levels to execute on growth plans. Additionally, due to growth, overall levels of receivables in FY2021 increased by \$8,132. The changes in inventory levels and accounts receivable were partially offset by an increase in accounts payables by \$8,132. The majority of the balance of cash used was a result of interest costs associated with the financing of acquisitions, along with other acquisition-related costs.

Cash provided by financing activities in FY2021 was net \$36,387 compared to \$28,194 in FY2020. In FY2021, the Company received net proceeds of \$23,370 from issuing shares from treasury for the exercise of warrants, options and a short form prospectus offering. The Company received total proceeds of \$34,005 related to the closing of convertible debentures in October 2021 and National Bank financing in October 2021. This was offset by using those proceeds to repay other long-term debt (see "Liquidity" section).

Cash used by investing activities in FY2021 was \$20,251 compared to \$22,006 in FY2020. In May 2021, \$15,470 was invested to complete the acquisition of Ex-Tech. In addition, the Company invested \$3,431 in high-speed manufacturing equipment and robotics to improve overall manufacturing output. The investment in manufacturing equipment includes the installation of a new line at the IPF facility (Line 3) worth \$2,523 and a new OMG thermoforming line for \$908.

The remaining balance of the cash usage in FY2021 was deployed for product development activities, such as the internal development of microwavable materials and high-heat containers.

capital resources

Management has funded operations through a mix of revenue growth, an increase in gross profit dollars, operating credit lines, vendor credit lines, government funding, exercised warrants, equity private placements, and long-term debt.

Below is a summary of the Company's FY2021 and FY2020 net working capital:

	Dec. 31, 2021		Dec. 31, 2020	
Cash	\$	10,655	\$	8,114
Trade and Other receivables		13,689		5,557
Inventory		16,036		6,294
Prepaid expenses		987		671
Accounts payable and accruals		(17,699)		(8,882)
Credit facility		-		(3,073)
Current portion of loans		(3,050)		(3,129)
Net working capital	\$	20,618	\$	5,552
		Dec. 31, 2021		Dec. 31, 2020
Raw materials	\$	11,817	\$	4,051
Finished goods		4,219		2,243
Inventory	\$	16,036	\$	6,249

The change in net working capital from FY2020 to FY2021 is due primarily to:

- the completion of a short form prospectus equity offering of net proceeds of \$21,582 on March 4, 2021;
- the Ex-Tech acquisition, which used \$5,875 in cash;
- the National Bank Refinancing, which consolidated the Company's debt structure, however, re-paid long-term outstanding debt through use of the current facilities;
- the investment in non-cash net working capital for the increased purchases of raw materials and overall level of inventory, increased receivables as a result of the growth of the business, including through acquisitions, and increased vendor payments for the Industrial business group; and
- investment of \$4,976 in high-speed manufacturing equipment and the internal development of new product lines such as Microwavable To-Go Containers.

As at December 31, 2021, the Company had no commitments for significant capital expenditures.

outlook

Growing consumer demand for sustainable products, increasing regulatory pressure, lifting of COVID-19 pandemic restrictions, supply chain disruptions, and reshoring of manufacturing are strong macro trends for continued organic and acquisition growth.

The Company continues to prioritize growth during the current inflationary environment and through supply chain challenges by servicing our existing customers with minimal disruption, while seeking to acquire new customers who are challenged to secure a steady supply of goods in the current climate. The Company anticipates external inflationary cost pressure and supply chain disruptions to continue through 2022.

The Company currently targets through its revenue mix contribution a Variable Gross Margin range of 28% to 35%, with a Gross Margin range of 21% to 28%.

Changes in revenue mix associated with acquisitions, insourced versus outsourced manufacturing operations, and percentage of business with various market segments may change the Company's margin profile. This may contribute to short-term variation in Variable Gross Margin and Gross Margin rates in each financial reporting period that may not be indicative of longer-term trends and the successful execution of the business model.

off-balance sheet arrangements

As at December 31, 2021 and the date of this MD&A, the Company did not have any off-balance sheet arrangements.

transactions between related parties

The following table sets forth the remuneration of directors and key management personnel for FY2021 compared to FY2020:

	Year ended December 31,	
	2021	2020
Salaries, management, consulting and directors' fees	\$ 1,346	\$ 1,302

Share based payments(i)	\$	1,193		205
	\$	2,539	\$	1,507

⁽ⁱ⁾ Share-based payments are the fair value of options granted and the amortized value of RSU units granted to directors and key management personnel.

As at December 31, 2021, \$233 (December 31, 2020 - \$262) was due to directors and officers of the Company for accrued bonus, management, consulting and director fees, as well as expense reimbursements.

fourth quarter

An overview of the Company's Q4 2021 operating results can be found above under the "Discussion of Operations" section.

proposed transactions

As at December 31, 2021 and the date of this MD&A, the Company does not have any proposed transactions.

significant estimates and accounting policies

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, income, and expenses within the next financial year.

Fair Value Estimates Associated with Business Combinations

In business combinations, the fair value of the assets acquired, and liabilities assumed, and the fair value of consideration transferred, including contingent consideration and the resulting goodwill, if any, requires that management make certain judgments and estimates with the information available at the time of acquisition about future events. Management 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. This period shall not exceed one year from the acquisition date.

As at December 31, 2021, the purchase consideration for the acquisitions of IPF and Ex-Tech has 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. Any future changes to the purchase price allocation may result in adjustments to recognized assets, acquired liabilities and/or goodwill.

Financial Instruments

The Company enters financial instrument arrangements, which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, Financial Instruments. Key judgments include whether the value of a contract changes in response to a change in an underlying rate, price, index, or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Share Based Payments and Warrants

Management uses estimates to determine the inputs to the Black-Scholes option pricing model including the expected plan lives and underlying share price volatility. Volatility is estimated by comparing to companies with similar operations over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in profit or loss.

Inventory Provision

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, revenue trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate provision is made. As at December 31, 2021 and December 31, 2020, no inventory provisions were recorded.

Income Taxes and Recoverability of Deferred Tax Assets

In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Depreciation and Amortization Rates for Intangible Assets, Property and Equipment

Depreciation and amortization expenses are allocated based on estimated asset lives and associated depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement of net loss and comprehensive loss prospectively.

Significant Judgments

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

The Directors have applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the twelve months ended December 31, 2021. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a

result of the assessment, management concluded the going concern basis of accounting is appropriate.

The Company's significant accounting policies are disclosed in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

changes in accounting policies including initial adoption

The Company notes that there were no changes to significant accounting policies for the financial year ended 2021 and no significant accounting policies were adopted during the period.

financial instruments

The Company's financial instruments as at December 31, 2021 include cash, trade and other receivables, accounts payable and accrued liabilities, credit facilities, and loans.

The Company's financial assets and financial liabilities are classified and measured at amortized cost.

Credit Risk

The Company's exposure to credit risk primarily arises from the possibility that its customers may fail to meet their obligations. The Company has credit evaluation, approval and monitoring processes in place which mitigates these potential credit risks. The Company continually evaluates the collectability of accounts receivable and records an allowance for doubtful accounts if required, which reduces the receivables by the amount of any expected credit losses. The failure of a significant customer could have a material adverse effect on the Company. At December 31, 2021, trade and other receivables total \$13,689 (December 31, 2020, \$5,557). There is allowance for doubtful accounts of \$190 included in this balance (December 31, 2020, \$85), which management believes adequately reflects the Company's expected credit losses. The provision for allowance for doubtful accounts is recognized within operating expenses, if any.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding. The Company's

cash assets are currently invested in business accounts with high-credit quality financial institutions, which are available on demand by the Company.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, input materials price fluctuations, and foreign exchange rates. A portion of the Company's operations are performed in U.S. dollars. The Company currently does not engage in risk management practices such as hedging or derivatives.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Company's interest rate risk includes fluctuations in interest rates on the Company's existing debt.

For significant assumptions made in determining the fair value of financial instruments, see "*Significant Estimates and Accounting Policies*" above.

fair values hierarchy

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount shown on the balance sheet approximates the Company's assessment of fair value.

outstanding share data

As of the date of this MD&A, the Company had outstanding:

Designation of Securities	Number of instruments outstanding as of the date of MD&A	Number of Common Shares issuable upon conversion or exercise
Common Shares	223,174,332	N/A-
Options	8,435,307	8,435,307
Other equity incentive compensation	7,017,438	7,017,438
Warrants	1,752,150	1,752,150
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		262,370,203

risk factors

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's AIF, which is available on the Company's SEDAR profile at www.sedar.com.

controls and procedures

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements for the year ended December 31, 2021 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 in the consolidated financial statements for the year ended December 31, 2021, and (ii) the consolidated financial statements for the year ended December 31, 2021 fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for the year ended December 31, 2021 for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware

that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

additional information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at www.sedar.com as well as on the Company's investor website at investor.goodnatureproducts.com.