

Consolidated Condensed Interim Financial Statements  
(Expressed in Canadian dollars)

## **GOOD NATURED PRODUCTS INC.**

Three months ended March 31, 2022 and 2021

## **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.

# GOOD NATURED PRODUCTS INC.

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

	31-Mar 2022	31-Dec 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,374	\$ 10,655
Trade and other receivables	13,685	13,689
Inventory (Note 3)	18,043	16,036
Prepaid expenses	993	987
	<u>45,095</u>	<u>41,367</u>
Non-current assets:		
Property and equipment (note 4)	31,242	30,463
Right-of-use assets (note 5)	4,046	2,165
Customer relationships (note 6)	5,601	5,725
Intangible and other assets (note 6)	3,153	3,125
Goodwill (note 6)	7,684	7,684
	<u>\$ 96,821</u>	<u>\$ 90,529</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,473	\$ 17,699
Current portion of long-term debt (note 7)	41,289	39,681
	<u>63,762</u>	<u>57,380</u>
Non-Current liabilities:		
Long-term debt (note 7)	7,497	6,674
Contingent consideration liability	1,926	1,890
Deferred income tax liabilities	3,439	3,493
	<u>12,862</u>	<u>12,057</u>
Shareholders' Equity:		
Common share capital	57,497	57,083
Contributed surplus	6,352	5,883
Foreign currency translation reserve	686	872
Deficit	(44,338)	(42,746)
	<u>20,197</u>	<u>21,092</u>
Total Liabilities and Shareholders' Equity	<u>\$ 96,821</u>	<u>\$ 90,529</u>

Nature of operations (note 1)

Subsequent events (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_  
"Jim Zadra" Director

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"Michael Thomson" Director

# GOOD NATURED PRODUCTS INC.

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

	Three months ended March 31	
	2022	2021
Product revenue (note 12)	\$ 25,936	\$ 7,900
Cost of product revenue (note 10)	(19,302)	(5,111)
Gross profit	6,634	2,789
Other (Expenses) Income:		
Selling, general, and administrative (note 11)	(3,806)	(1,707)
Fulfilment and logistics	(2,253)	(1,208)
Share-based compensation (note 8 (b,d))	(601)	(270)
Depreciation and amortization	(671)	(236)
Financing costs	(975)	(1,034)
Foreign exchange gain (loss)	26	(71)
Loss on debt repayment and conversion (note 7 (a))	-	(166)
Net loss before taxes	(1,646)	(1,903)
Deferred income tax recovery	54	-
Net loss for the period	\$ (1,592)	\$ (1,903)
Other comprehensive (loss) gain, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Unrealized currency gain on translation of foreign operations	(186)	462
Comprehensive loss for the period	\$ (1,778)	\$ (1,441)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding – basic and diluted	222,223	192,575

See accompanying notes to consolidated financial statements.

# GOOD NATURED PRODUCTS INC

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(In thousands) (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, 2020	179,258	\$ 28,883	\$ 1,497	\$ 1,239	\$ 244	\$ (30,051)	\$ 1,812
Issuance of common shares, net (note 8)	19,263	20,572	612	-	-	-	21,184
Shares issued upon warrant exercise	9,912	2,162	(249)	-	-	-	1,913
Shares issued upon debenture conversion (note 8(a))	2,330	536	(106)	-	-	-	430
Shares issued upon option exercise (note 8(a))	207	54	-	(23)	-	-	31
Shares issued upon debt conversion (note 7(a))	2,720	3,239	(67)	-	-	-	3,172
Share based compensation (note 8(b,d))	-	-	-	271	-	-	271
Net comprehensive loss	-	-	-	-	148	(1,903)	(1,755)
Balance at March 31, 2021	213,690	\$ 55,446	\$ 1,687	\$ 1,487	\$ 392	\$ (31,954)	\$ 27,058
Shares issued upon warrant exercise	2,850	482	(164)	-	-	-	318
Shares issued upon debenture conversion (note 8(a))	2,283	368	(93)	-	-	-	275
Conversion feature and warrants of convertible debenture (note 7(b))	-	-	1,880	-	-	-	1,880
Shares issued upon option exercise (note 8(a))	967	130	-	(49)	-	-	81
Share based compensation (note 8(b,d))	-	-	-	1,983	-	-	1,983
Vested RSU & PSU incentive issuance (note 8(d))	893	657	-	(848)	-	-	(191)
Net comprehensive loss	-	-	-	-	480	(10,792)	(10,312)
Balance at December 31, 2021	220,683	\$ 57,083	\$ 3,310	\$ 2,573	\$ 872	\$ (42,746)	\$ 21,092
Shares issued upon warrant exercise	1,989	323	(69)	-	-	-	254
Shares issued upon option exercise (note 8(a))	214	40	-	(12)	-	-	28
Share based compensation (note 8(b,d))	-	-	-	601	-	-	601
Vested RSU & PSU incentive issuance (note 8(d))	71	51	-	(51)	-	-	-
Net comprehensive loss	-	-	-	-	(186)	(1,592)	(1,778)
Balance at March 31, 2022	222,957	\$ 57,497	\$ 3,241	\$ 3,111	\$ 686	\$ (44,338)	\$ 20,197

See accompanying notes to consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

## Consolidated Statements of Cash Flow

(In thousands) (Unaudited)

	Three months ended March 31	
	2022	2021
Cash provided by (used in):		
Operations:		
Net loss	\$ (1,592)	\$ (1,903)
Items not involving cash:		
Depreciation and amortization	813	356
Unrealized foreign exchange loss	273	86
Amortization of right of use assets	168	63
Share based compensation (note 8(b, d))	601	270
Loss on debt repayment and conversion (note 7 (a))	-	166
Financing costs	975	1,034
Deferred income tax	(54)	-
	1,184	72
Changes in non-cash operating working capital:		
Trade and other receivables	4	(20)
Inventory	(2,071)	(2,510)
Prepaid expenses	(26)	(289)
Accounts payable and accrued liabilities	4,774	793
	2,681	(2,026)
Finance costs paid	(725)	(883)
Cash provided by (used in) operating activities	3,140	(2,837)
Financing:		
Issuance of common shares, net of issuance costs (note 8)	-	21,184
Exercise of warrants for common shares	254	1,931
Exercise of options for common shares	28	31
Credit line repayment	-	(800)
Proceeds from long-term debt, net of issuance costs (note 7(c))	700	178
Repayment of long-term debt (note 7)	(568)	(1,376)
Cash provided by financing activities	414	21,130
Investments:		
Purchase of equipment	(1,466)	(1,123)
Purchase of other assets	(227)	(130)
Cash used in investing activities	(1,693)	(1,253)
Effect of foreign exchange rate changes on cash	(142)	(41)
Increase (decrease) in cash	1,719	16,999
Cash and cash equivalents, beginning of period	10,655	8,114
Cash and cash equivalents, end of period	12,374	25,113

Supplementary disclosure with respect to cash flows (note 13).

See accompanying notes to consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

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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.

As at March 31, 2022 and December 31, 2021, due to a default on its Senior Credit Facility caused by a breach of a debt covenant, the Company classified \$38,414 (December 31, 2021 - \$36,631) of non-current debt as current (Note 7(c)). The Company and its primary lender are working on a plan to remedy the default; as at the date of issuance of these interim financial statements, these discussions are ongoing. As a result of this classification the Company has negative working capital of \$18,667 as at March 31, 2022. The continuing operations of the Company are dependent upon its ability to successfully complete discussions with its primary lender such that its Senior Credit Facility is no longer in default or to obtain new debt or equity financing. There can be no assurance that the outcome of those discussions or such new financing will be completed on a timely basis under terms acceptable to the Company.

The above conditions present material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. These interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The COVID-19 pandemic significantly impacted the global economy. The Company’s operations have been 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 safety protocols to ensure their ability to continue to produce and deliver products.

None of the Company’s supply chain partners have experienced any material shutdowns or disruptions to their work. The Company’s supply chain is global, however, the majority of supply chain partners are substantially North American based. Thus far, there have been no disruptions to raw material or other related products/services. The Company has invested in expanding production capacity to reduce its reliance on external supply chain. The Company monitors 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 packaging manufacturers will continue to remain operational for the duration of the COVID-19 pandemic.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

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## 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 amended and restated consolidated financial statements for the year ended December 31, 2021, 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, 2021.

These unaudited consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2022.

### (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.

### (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 during 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 amended and restated annual consolidated financial statements for the year ended December 31, 2021.



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

## 3. Inventory

		March 31, 2022		December 31, 2021
Raw materials	\$	14,776	\$	11,817
Finished goods		3,267		4,219
Total	\$	18,043	\$	16,036

## 4. Property and equipment, net:

	Land	Building	Manufacturing Equipment	Other Equip.	Accumulated Depreciation	Total
Dec. 31, 2020	\$ 4,943	\$ 4,320	\$ 6,537	\$ 82	\$ (466)	\$ 15,416
Additions	413	5,211	10,244	115	(936)	15,047
Dec. 31, 2021	\$ 5,356	\$ 9,531	\$ 16,781	\$ 197	\$ (1,402)	\$ 30,463
Additions	-	-	1,484	6	(635)	779
Foreign exchange	(3)	(73)	-	-	-	-
Mar. 31, 2022	\$ 5,353	\$ 9,458	\$ 18,265	\$ 203	\$ (2,037)	\$ 31,242

Land is not subject to depreciation.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
 Three months ended March 31, 2022 and 2021  
 (In thousands)

## 5. Right of use assets

The company entered into leases for manufacturing equipment, buildings, and office spaces for its operations. The Company is required to recognize right of use assets representing its right to use these underlying assets of their term.

These right of use assets are initially measured at cost less, equivalent to the fair value of the lease liability, and subsequently amortized on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

	Cost	Accumulated amortization	Net Book Value
December 31, 2020	\$ 751	\$ (107)	\$ 644
Additions	1,947	(426)	1,521
December 31, 2021	2,698	(533)	2,165
Additions	2,043	(162)	1,881
March 31, 2022	\$ 4,741	\$ (695)	\$ 4,046

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

	Customer Lists	Accumulated Amortization	Net Book Value
December 31, 2020	\$ 7,341	\$ (1,633)	\$ 5,708
Additions	621	(604)	17
December 31, 2021	\$ 7,962	\$ (2,237)	\$ 5,725
Additions	-	(51)	(51)
Foreign exchange	(73)	-	(73)
March 31, 2022	\$ 7,889	\$ (2,288)	\$ 5,601

	Brand and Formulas	Other Assets	Accumulated Amortization	Net Book Value
December 31, 2020	\$ 2,200	\$ 570	\$ (25)	\$ 2,745
Additions	-	409	(29)	380
December 31, 2021	\$ 2,200	\$ 979	\$ (54)	\$ 3,125
Additions	-	82	(54)	28
March 31, 2022	\$ 2,200	\$ 1,061	\$ (108)	\$ 3,153

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

## 6. 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 and other intangibles.

	Goodwill	Accumulated Impairment	Net Book Value
December 31, 2020	\$ 6,824	\$ -	\$ 6,824
Additions	860	-	860
December 31, 2021 and March 31, 2022	\$ 7,684	\$ -	\$ 7,684

## 7. Long-term debt:

	Retired Debt (a)	Debentures (b)	National Bank (c)	Vendor Notes (d)	Leases (e)	Other debt (f)	Total
Dec. 31, 2020	\$ 24,190	\$ 1,814	-	\$ 4,684	\$ 644	\$ 1,499	\$ 32,831
Proceeds, net	6,616	14,349	19,531	-	1,948	3,641	46,084
Repayment	(28,802)	-	-	(300)	(415)	(424)	(29,941)
Conversion	(3,122)	(862)	-	(50)	-	-	(4,034)
Accretion / Loss	1,209	247	2	-	54	97	1,610
Foreign Exchange	(91)	-	(104)	-	-	-	(195)
Dec. 31, 2021	\$ -	\$ 15,548	\$ 19,429	\$ 4,334	\$ 2,231	\$ 4,813	\$ 46,355
Proceeds, net	-	-	638	-	2,063	-	2,701
Repayment	-	-	(139)	-	(236)	(124)	(499)
Conversion	-	-	-	-	-	-	-
Accretion	-	138	54	-	49	22	263
Foreign Exchange	-	-	-	-	14	(49)	(35)
Mar. 31 2022	\$ -	\$ 15,686	\$ 19,983	\$ 4,334	\$ 4,121	\$ 4,662	\$ 48,786

	March 31 2022	December 31 2021
Current portion	\$ 41,289	\$ 39,681
Non-current portion	7,497	6,674
	\$ 48,786	\$ 46,355

As disclosed in Note 1, the Company is in breach of a covenant in its Senior Credit Facility with National Bank and as a result of a cross default clauses associated with the Senior Credit Facility in certain of the Company's debentures and a mortgage agreement, \$38,414 (December 31, 2021 - \$36,631) due under the Senior Credit Facility, debentures and mortgage has been classified as current debt.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

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

Undiscounted repayment commitment:

The required undiscounted annual repayments of the Company's long-term debt for the twelve months ending March 31 follow:

2023	\$	44,288
2024		3,999
2025		2,611
2026		634
2027 and beyond		139
	\$	51,671

## 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 March 31, 2022, 222,957 common shares were issued and outstanding (December 31, 2021 – 220,683).

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

During the year ended December 31, 2021, the Company issued 4,613 shares at an average conversion price of \$0.23 per share pursuant to the conversion of \$1,061 of outstanding debentures (Year ended December 31, 2020 – 8,106 shares; \$1,739) (note 7(b)).

On January 19, 2021, the Company converted \$50 of a Vendor Note into 63 common shares of the Company at a fair value of \$0.80 per share (note 7(f)).

On March 3, 2021, the Company completed the conversion of \$3,122 of its long-term credit facility with BDC (note 7(a)) by issuing 2,657 common shares to BDC at a fair value price of \$1.20 per share (Year ended December 31, 2020 – 6,667 shares; \$1,000).

### *Prospectus Offering:*

In March 2021, the Company completed a short form prospectus offering that totaled 19,263 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 1,156 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.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
(In thousands)

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

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

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	0.27%
Dividend yield	0.00%
Expected life (years)	2
Volatility	82.34%
Forfeiture rate	0.0%
Common share price at grant date	\$1.29

### (b) Share options:

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

	Options	Weighted average exercise price
Outstanding at December 31, 2020	8,642	\$ 0.18
Issuance of options	822	1.17
Exercise of options	(1,174)	0.14
Forfeiture of options	(258)	0.38
Outstanding at December 31, 2021	8,032	\$ 0.28
Issuance of options	689	0.66
Exercise of options	(115)	0.15
Forfeiture of options	(172)	0.51
Outstanding at March 31, 2022	8,435	\$ 0.28
Exercisable at March 31, 2022	5,883	\$ 0.21

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
 Three months ended March 31, 2022 and 2021  
 (In thousands)

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

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

Range of Exercise Prices	Number Outstanding	Number exercisable	Weighted average remaining life (in years)
\$0.10 to \$0.15	4,635,937	3,539,673	6.4
\$0.16 to \$0.20	2,047,857	2,047,857	3.5
\$0.21 to \$0.25	192,350	192,350	2.3
\$0.26 to \$1.29	1,559,163	103,604	3.4
	8,435,307	5,883,484	5.1

The weighted average fair value per option granted in the three months ended March 31, 2022 was \$0.34 (year ended December 31, 2021 - \$1.17). The fair value 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:

	Three months ended March 31 2022	Year ended December 31 2021
Risk-free interest rate	0.30%	00.26 – 0.30%
Dividend yield	0.00%	0.00%
Expected life (years)	4	4
Volatility	77.81%	79.84 - 82.7%
Forfeiture rate	0.0%	0.0%
Common share price at grant date	\$0.34	\$1.12- \$1.29

### (c) Share purchase warrants:

	Warrants	Weighted average exercise price
Outstanding at December 31, 2020	15,851	\$ 0.20
Issuance of warrants to brokers	1,156	1.20
Exercise of warrants	(12,762)	0.19
Forfeiture of warrants	(52)	0.19
Outstanding at December 31, 2021	4,193	\$ 0.50
Issuance of warrants to brokers	-	-
Exercise of warrants	(1,989)	0.19
Forfeiture of warrants	(334)	0.12
Outstanding at March 31, 2022	1,752	\$ 0.95

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
 Three months ended March 31, 2022 and 2021  
 (In thousands)

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

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

Expiry date	Warrants outstanding	Average Exercise price	Weighted average remaining contractual life (in years)
December 2022	597	0.47	0.24
March 2023	1,156	1.20	0.61
	1,752	\$ 0.95	0.85

### (d) Other Equity Incentives:

	RSUs	DSUs	PSUs	Total
December 31, 2020	2,885	-	-	2,885
Unit Issuance	1,310	128	1,457	2,895
Forfeiture	(306)	-	(964)	(1,270)
Share Issuance upon vesting	(893)	-	-	(893)
December 31, 2021	2,995	128	493	3,617
Unit Issuance	1,828	-	1,720	3,549
Forfeiture	(37)	-	-	(11)
Share Issuance upon vesting	(71)	-	-	(71)
March 31, 2022	4,715	128	2,214	7,057

Pursuant to the Company's Omnibus Equity Incentive Compensation Plan, the Company issued restricted share units ("RSUs") which vest over a period of two or three years; deferred share units (DSUs) which vest over a period of two years; and, performance share units (PSUs) which vest in accordance with the achievement of certain performance criteria over a period of three years.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Three months ended March 31, 2022 and 2021  
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## 8. Share capital and share-based payments (continued):

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

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. The average value of the RSUs and DSUs was measured on the date of grant at \$0.66 per unit for a total of \$1,207 which will be amortized over the life of the respective terms (Year ended December 31, 2021 - \$1.28 - \$1,839).

The Company granted two types of PSUs. The first group vest based on overall performance of the Company's shares, with the second group vesting based on achievement of internal operating performance metrics as detailed by management. The total value for the PSUs of \$1,135 on date of grant will be amortized over the life of the respective terms (Year ended December 31, 2021 - \$1,096)

## 9. Related party transactions

The following table sets forth the remuneration of directors and key management personnel:

	Three months ended March 31	
	2022	2021
Salaries, management, consulting and director fees	\$ 405	\$ 329
Share based payments	334	184
	\$ 739	\$ 513

### (i)

At March 31, 2022, \$323 (December 31, 2021 - \$233) was due to directors and officers of the Company for accrued bonus, management, consulting, director fees and expense reimbursement.



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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(In thousands)

## 10. Cost of product revenue:

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

	Three months ended March 31	
	2022	2021
Variable cost of product	\$ 17,715	\$ 4,678
Fixed factory overhead	1,283	298
Depreciation	304	135
	\$ 19,302	\$ 5,111

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 (SG&A):

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

	Three months ended March 31	
	2022	2021
SG&A wages	\$ 2,086	\$ 889
SG&A other	1,250	573
Product development	192	99
Acquisition related activity & One-time charges	278	146
	\$ 3,806	\$ 1,707

## 12. Segmented information:

All of the Company's operations are within the packaging and manufacturing industry, and its major products are broken out into separate business groups: Industrial, Packaging, General Merchandise, Commercial Business Supplies, and Services. The majority of the Company's operations are performed within the United States and Canada, with 80% of total revenue coming from customers in the United States and 20% in Canada.

A reporting segment is defined as a component of the Company that:

- Engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are reviewed regularly by management; and
- In which discrete financial information is available.

For the three months ended March 31, 2022 and 2021, the Company's significant reportable segments aggregates its subsidiaries operating performance into 5 main business groups. The Company's chief operating decision maker evaluates segment performance based on segment revenue and operating earnings defined as "net income before corp. costs". Net income before corp. costs is comprised of each segments discrete revenues, cost of product revenue, logistics and fulfillment, and SG&A. The following table summarizes segment performance:

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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(In thousands)

## 12. Segmented information (continued):

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
<b>Mar. 31, 2022</b>						
Revenue	\$ 25,936	\$ 18,992	\$ 6,208	\$ 312	\$ 20	\$ 404
Net income, before corp. costs	2,322	1,387	387	243	4	301
Depreciation and Amortization	1,446	1,328	118	-	-	-
Capital Expenditures	1,517	1,088	429	-	-	-
Reportable segments assets	72,990	59,434	13,556			
<b>Mar. 31, 2021</b>						
Revenue	\$ 7,900	\$ 5,486	\$ 2,082	\$ 233	\$ -	\$ 117
Net income, before corp. costs	1,581	976	588	(3)	-	14
Depreciation and Amortization	231	42	189	-	-	-
Capital expenditures	17	-	17	-	-	-
Reportable segments assets	40,853	35,486	5,367	-	-	-

	Mar. 31, 2022	Mar. 31, 2021
Reportable segment net income, before corp. costs	\$ 2,322	\$ 1,581
Parent company costs (unallocated)	(1,469)	(1,561)
SG&A (unallocated)	(278)	(146)
<i>Adjustments to reconcile to net loss before taxes</i>		
Share based compensation	(601)	(270)
Depreciation and amortization	(671)	(236)
Financing costs	(975)	(1,033)
Foreign exchange gain (loss)	26	(71)
Loss on debt repayment and conversion	-	-
Gain on interest free loan	-	166
Net loss before taxes	(1,646)	(1,903)

# GOOD NATURED PRODUCTS INC.

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## 13. Supplementary cash flow information:

	Three months ended March 31	
	2022	2021
Non-cash investing activities:		
Acquisition of right of use asset via equipment lease	\$ 2,084	\$ -
Non-cash financing activities:		
Capitalized equipment lease liability	\$ 2,084	\$ -
Shares issued for conversion of debentures (note 7(b))	\$ -	\$ 536
Shares issued for conversion of BDC loan (note 7(a))	\$ -	\$ 3,123
Shares issued for conversion of other debt (note 7(a))	\$ -	\$ 50

## 14. Subsequent events:

- a) On April 6, 2022 the Corporation finalized an agreement with Export Development Canada (“EDC”) whereby EDC will provide US\$2,000 in financing to support tooling manufacturing costs for customers and other inline products. The facility will be amortized over a 42 month period from initial drawdown of funds at an annual rate of US Prime plus 3%. As disclosed in Note 1, the Company is in breach of a covenant in its Senior Credit Facility and as a result of a cross default clause associated with the Senior Credit Facility in the EDC financing agreement, the borrowings will be classified as current debt. On May 3, 2022, the Company drew \$324 from this facility.
- b) On May 4, 2022 the Corporation entered into a definitive asset purchase agreement to acquire all the business and operating assets of FormTex Plastics Corporation (“FormTex”), a manufacturer of high-quality custom plastic packaging for cash consideration of US\$4,800, subject to customary closing adjustments.
- c) On May 17, 2022, announced a non-brokered private placement (the “Offering”) of 15,000 special warrants (the “Special Warrants”) of the Company at a price of \$0.40 per Special Warrant (the “Issue Price”) for aggregate gross proceeds up to \$6,000. Each Special Warrant shall be exercisable, for no additional consideration and with no further action on the part of the holder thereof, into one unit of the Company (a “Unit”).

# GOOD NATURED PRODUCTS INC.

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## 14. Subsequent events (continued):

Each Unit will consist of one common share in the capital of the Company (a “Unit Share”) and one half of one common share purchase warrant (each whole warrant, a “Warrant”) of the Company. Each full Warrant will entitle the holder thereof to acquire one common share (a “Warrant Share”) of the Company at a price per Warrant Share of \$0.52 for a period of 24 months from the closing of the Offering. The expiry date of the Warrants will be subject to acceleration upon 30 days notice by the Company if the volume weighted average trading price of the common shares of the Company exceeds \$0.65 for a period of 20 consecutive trading days ending at any time following the date which is 12 months following the Closing Date of the Offering.

The Company intends to pay a finder’s fee in connection with the Offering which will not exceed, in the aggregate, a cash payment equal to 6% of the gross proceeds raised in the Offering and the issuance of compensation options to purchase common shares equal to 6% of the number of Special Warrants sold in the Offering at a price per common share of \$0.40.

The Special Warrants will be subject to a four-month hold period from the closing of the Offering in addition to any other restrictions under applicable law.