good natured Products Inc.

Management Discussion & Analysis
for the 3 and 6 Months Ended June 30, 2022

as at August 29, 2022

good natured Products Inc.
TSX-V: GDNP OTCQX: GDNPF

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 August 29, 2022 and provides an analysis of the Company's financial results for the three and six months ended June 30, 2022. The following information should be read in conjunction with the Company's amended and restated audited consolidated annual financial statements and related notes for the years ended December 31, 2021 and 2020 ("**FY2021**" and "**FY2020**", respectively), as well as the unaudited interim consolidated financial statements for the three months ("**Q2 2022**" and "**Q2 2021**") and six months ("**H1 2022**" and "**H1 2021**") ended June 30, 2022 and 2021.

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 the Company’s estimate of anticipated revenue of approximately USD $13 million in the first year of a three-year commercial contract with a large U.S. food producer, 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 and operating conditions; supply conditions; end customer demand conditions; channel inventory and sell through; forecasts of future costs and expenditures; and other expectations, intentions and plans that are not historical fact.

The future-oriented financial information contained in this MD&A with respect to anticipated revenue of approximately USD $13 million in the first year of a three-year commercial contract with a large U.S. food producer is included to provide information about management’s current expectations with respect to the benefit of the recently signed agreement, however actual results may differ materially from the information provided in this MD&A. Readers are cautioned that such information should not be used for purposes other than for which they are disclosed in this MD&A. The future-oriented financial information contained in this MD&A has been approved by the management of the Company as of the date of this MD&A.

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 the Company's financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS measures.

The Company relies on the following non-IFRS measures in this MD&A:

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.

For a reconciliation of Adjusted EBITDA and net income (loss), the most directly comparable financial measure, see "Adjusted EBITDA" in the Discussion of Operations section below.

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.

For a reconciliation of gross profit to Variable Gross Profit and gross margin to Variable Gross Margin, the most directly comparable financial measures, see "Variable Gross Margin & Variable Gross Profit" in the Discussion of Operations section below.

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.

For a reconciliation of SG&A to SG&A Excluding Acquisition and One-Time Charges, the most directly comparable financial measure, see "Selling, General and Administrative" in the Discussion of Operations section below.

Net Working Capital Excluding Current Portion of Long-Term Debt

Net Working Capital Excluding Current Portion of Long-Term Debt is a non-IFRS measure that management has included as another metric to evaluate the Company's net working capital position. As discussed in "Recent Developments", the Company was required to reclassify $37,937 in long-term debt into current liabilities due to a covenant breach under its senior credit facility with its primary lender, National Bank of Canada ("**National Bank**") as the Company lost the unconditional right to defer the settlement of such debts. This measure was used to provide the readers better insight and comparability between reporting periods on the Company's net working capital position, without consideration of the reclassification of the current portion of long-term debt as a result of the covenant breach. On August 26, 2022, the Company closed a financing (the "**Mortgage Refinancing**") with Business Development Bank of Canada ("**BDC**"), completed a senior secured revolving credit facility (the "**Senior Credit Facility**") with Wells Fargo Bank, N.A. ("**Wells Fargo**"), through its wholly owned subsidiary Wells Fargo Capital Finance Corporation Canada, and retired all outstanding credit facility debt with National Bank. See discussion in "Recent Developments" for further details.

For a reconciliation of Net Working Capital Excluding Current Portion of Long-Term Debt to net working capital, the most directly comparable financial measure, see "Capital Resources" in the Discussion of Operations section below.

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 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.[1].

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

[1] As outlined in the State of California's Proposition 65, https://oehha.ca.gov/proposition-65/general-info/proposition-65-plain-language

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 the vast majority of revenue generated in North America. The Company is listed on the TSX Venture Exchange under the symbol "GDNP" and on the OTCQX Best Market under the symbol "GDNPF".

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 Adjusted 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.

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 VGM 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.

recent developments

- On August 26, 2022, the Company announced it completed a senior secured revolving credit facility with Wells Fargo, through its wholly owned subsidiary Wells Fargo Capital Finance Corporation Canada,

consisting of a USD $30 million asset-based revolving credit facility with a 4-year term and an uncommitted USD $25 million revolving facility, available at the discretion of Wells Fargo. The initial draw on the Senior Credit Facility was used to retire $13.7 million of outstanding credit facility debt with National Bank. See further discussions in the "Liquidity" section below.

- On August 26, 2022, the Company announced it closed a $6.6 million financing with BDC. Proceeds of the Mortgage Refinancing was used to retire $6.6 million of outstanding non-revolving term credit facility with National Bank that was secured by a first mortgage on the Company's Brampton, Ontario manufacturing location.
- On July 12, 2022, the Company announced the signing of a three-year commercial contract with the large U.S. food producer previously referenced in a press release dated October 12, 2021. The Company continues to anticipate revenue of approximately USD $13 million in the first year of the contract.
- On July 4, 2022, the Company announced the closing of its acquisition of the business and operating assets of Houston-based FormTex Plastics Corporation "("**FormTex**") for cash consideration of approximately USD $4.8 million.
- On June 1, 2022, the Company announced the closing of its non-brokered private placement (the "**Special Warrant Offering**") of special warrants (the "**Special Warrants**"). Pursuant to the Special Warrant Offering, the Company issued 16,402,500 Special Warrants at an issue price of $0.40 per Special Warrant (the "**Issue Price**") for gross proceeds of $6.56 million. Each Special Warrant is exercisable, for no additional consideration and with no further action on the part of the holder thereof, into one unit of the Company, each unit consisting of one common share and one half of one common share purchase warrant, each whole warrant entitling the holder thereof to purchase one additional common share at a price of $0.52 per for a period of 24 months from the closing. Each Special Warrant shall be exercisable at the earlier of: (i) the third business day after the date upon which a prospectus supplement to the Shelf Prospectus (as defined below) qualifying the distribution of the units has been filed; and (ii) October 2, 2022.
- On May 9, 2022 and May 12, 2022, the Company announced that National Bank had notified the Company that it was in breach of the

fixed charge coverage ratio covenant ("**FCCR**") under the terms of National Bank's senior credit facility. On June 29, 2022, the Company announced that it had signed an extension agreement with National Bank in connection with the FCCR breach (the "**Extension Agreement**"). Under the Extension Agreement, National Bank agreed to forbear from exercising its enforcement rights with respect to past breaches of the FCCR as at December 31, 2021 and March 31, 2022 for a period of 60 days from the date of the Extension Agreement and provided a waiver of the FCCR covenant as at June 30, 2022. On August 26, 2022, the Company announced its Senior Credit Facility with Wells Fargo and used its initial draw on the Senior Credit Facility, along with the proceeds from the Mortgage Refinancing, to retire all outstanding credit facility debt with National Bank. See further discussions in the "Liquidity" section below.

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.goodnaturedproducts.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 and in Q2 2022. 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 tables summarize certain financial data from the financial statements of the Company for the periods ended June 30, 2022 and 2021.

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	$ 25,546	$ 12,371	$ 51,482	$ 20,271
Adjusted EBITDA[1]	$ 1,005	$ (175)	$ 2,162	$ (20)
Net loss	$ (3,012)	$ (3,698)	$ (4,604)	$ (5,601)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

	Jun-22	Dec-21	Jun-21
Total Assets	$ 98,318	$ 90,529	$ 83,329
Total Liabilities	$ 73,419	$ 69,437	$ 58,821
Asset to liability ratio	1.34	1.30	1.42
Cash and cash equivalents	$ 16,700	$ 10,655	$ 12,082
Net Working Capital	$(12,684)	$(16,013)	$ 16,257
Net Working Capital Excluding Current Portion of Long-Term Debt[1]	$ 27,529	$ 23,668	$ 20,371

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

Selected Financial & Operational Highlights

The following are selected financial and operational highlights for the three and six months ended June 30, 2022:

- Achieved quarterly revenue of $25,546 for Q2 2022 as compared to $12,371 for Q2 2021, an increase of 106%.
- Achieved record revenue of $51,482 for H1 2022 as compared to $20,271 in H1 2021, an increase of 154%.
- Served an active B2B customer base of over 1,400 customers at June 30, 2022.
- Generated VGM of 33% for Q2 2022 compared to 35% for Q2 2021. Gross margin was 26% for Q2 2022 compared to 28% for Q2 2021. The reduction in VGM and gross margin was driven by a higher level of revenue contribution from the National market segment and Industrial business group, largely driven by the acquisition of Ex-Tech Plastics Inc. ("**Ex-Tech**") in May of 2021. See "Key Acquisitions" section for more details. Fluctuations in the percentage of insourced manufacturing versus outsourced manufacturing to meet production demand was also a contributing factor.
- Achieved Adjusted EBITDA for Q2 2022 of $1,005 compared to a loss of $175 for Q2 2021, representing the third consecutive period of positive Adjusted EBITDA. The Company recorded a net loss of $3,012 in Q2 2022 and $3,698 in Q2 2021.
- As a percent of revenue, SG&A declined to 18% and 16% for Q2 2022 and H1 2022 respectively, compared to 26% and 24% in Q2 2021 and H1 2021 respectively.
- Fulfillment and logistics as a percent of revenues declined to 9% for both Q2 2022 and H1 2022 compared to 13% and 14% in Q2 2021 and H1 2021 respectively.
- Assets increased to $98,318 as at June 30, 2022, compared to $90,529 as at December 31, 2021, an increase of 8.6%. This increase can be predominantly attributed to the Company's capital investments in high-speed machinery and equity financing in Q2 2022.
- The Company's asset-to-liability ratio was 1.34 as at June 30, 2022, compared to 1.30 as at December 31, 2021.
- Cash and cash equivalents equaled $16,700 as at June 30, 2022, compared to $10,655 as at December 31, 2021. This increase was driven

primarily by cash provided by operations and financing activities (see "Cash Flow" section for further details).

- Net working capital (deficit) improved to $(12,684) as at June 30, 2022, compared to $(16,013) as at December 31, 2021. The net working capital deficit at the end of FY2021 was due to the reclassification of long-term debt to current portion of long-term debt as part of the breach of the FCCR ratio under the terms of the Company's former senior credit facility with National Bank. See the unaudited interim condensed consolidated financial statements for the 3 months ended March 31, 2022 for further details.

Key Acquisitions

In the last four fiscal quarters the Company has made the following acquisitions:

On July 4, 2022, the Company completed the acquisition of all the business and operating assets of FormTex Plastics Corporation ("FormTex") for cash consideration of approximately USD $4,800. Founded in 1989, FormTex produces custom plastic packaging for the medical, food, electronic, industrial, and retail end markets. FormTex is ISO 9001:2015 certified in the design and manufacture of thermoplastic molded components and operates seven different thermoforming machines in a leased 51,000 square foot facility on 1.9 acres of land in Houston, Texas. The Company used cash from treasury to complete the acquisition and pay related integration costs.

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 aggregate 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.

discussion of operation

The Company completed the acquisition of Ex-Tech in May 2021. The acquisition had a material impact on the comparability of the information contained in these consolidated financial statements relative to previously reported periods.

	3 mon. ended Jun 30			6 mon. ended Jun 30		
	2022	2021	+/-	2022	2021	+/-
Revenue	$ 25,546	$ 12,371	106%	$ 51,482	$ 20,271	154%
Variable cost of product	17,090	8,080	112%	34,805	12,758	173%
Variable Gross Profit[1]	8,456	4,291	97%	16,677	7,513	122%
Variable Gross Margin %[1]	33%	35%		32%	37%	
Fixed factory overhead	1,708	785	118%	3,295	1,218	171%
Gross profit	6,748	3,506	92%	13,382	6,295	113%
Gross margin %	26%	28%		26%	31%	
Fulfilment & logistics	2,244	1,654	36%	4,497	2,862	57%
Selling, general & administrative, excluding acquisition costs and one-time charges[1]	3,954	2,244	76%	7,482	3,805	97%
Share-based compensation	574	705	-19%	1,175	975	21%
Depreciation	300	276	9%	971	512	90%
Financing costs	1,318	926	42%	2,293	1,960	17%
Foreign exchange gain (loss)	789	468	69%	763	539	42%
Loss on financing	4	46	-91%	4	212	-98%
Gain on interest free loan	(15)	(29)	-48%	(15)	(29)	-48%
Acquisition related expenses & one-time charges	646	914	-29%	924	1,060	-13%
Deferred income taxes recovery	(54)	-	-%	(108)	-	-%
Net loss for the period	$ (3,012)	$ (3,698)	-19%	$ (4,604)	$ (5,601)	-18%
Adjusted EBITDA[1]	$ 1,005	$ (175)	-674%	$ 2,162	$ (20)	-10910%

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

Revenue

Revenue for Q2 2022 increased 106% to $25,546, compared to $12,371 for Q2 2021. Revenue for H1 2022 increased 154% to $51,482 compared to $20,271 for H1 2021. The growth in revenue in Q2 2022 was driven by strong organic revenue with new customer additions, including the National U.S. food producer originally announced in October 2021, increases in average selling price per unit and contribution from the Ex-Tech acquisition completed in May 2021.

Revenue Mix by Business Group and Geography

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

	3 mon. ended Jun 30		6 mon. ended Jun 30		Year ended Dec
	2022	2021	2022	2021	2021
Revenue	$ 25,546	$ 12,371	$ 51,482	$ 20,271	$ 61,132
Industrial	78%	76%	76%	73%	77%
Packaging	19%	21%	21%	23%	20%
General Merchandise	1%	2%	1%	2%	2%
Commercial Supplies	<1%	0%	<1%	0%	<1%
Service / Other	2%	1%	2%	1%	1%
Revenue to US	88%	73%	89%	73%	80%
Revenue to CA	12%	27%	11%	27%	20%

For Q2 2022, revenue for the Industrial business group grew by 112%, or $10,507 in comparison to Q2 2021. The Industrial business group contributed 78% of total revenue, compared to 76% for Q2 2021 and 73% in the three months ended March 31, 2022 ("**Q1 2022**"). For H1 2022, the Industrial business group contributed 76% of total revenue as compared to 73% in H1 2021. The increase in revenue from the Industrial business group in both Q2 2022 and H1 2022, compared to Q2 2021 and H1 2021, was driven by the completion of the Ex-Tech acquisition in May 2021 and an increase in average selling price for the Company's industrial products. The increase in Industrial business group revenue mix in Q2 2022, compared to Q1 2022, was driven both by increases in average selling price and volumes.

For Q2 2022, revenue for the Packaging business group increased by 87% or $2,202 in comparison to Q2 2021. The Packaging business group contributed 19% and 21% of total revenue for Q2 2022 and H1 2022, compared to 21% for Q2 2021 and 24% in Q1 2022. Packaging revenue mix decreased in part due to a larger contribution of Industrial revenue from the Ex-Tech acquisition completed in May 2021, as well as timing of certain new packaging program rollouts. Packaging revenue increased in Q2 2022 and H1 2022, compared to Q2 2021 and H1 2021, driven by the addition of new customers, increase in average selling price, and the addition of the National U.S. food producer originally announced in October 2021. The decrease in Packaging business group revenue mix, compared to Q1 2022, was caused by order shipment timing to various Regional and National customers. Packaging volumes in the current fiscal year are expected to fluctuate on a quarterly basis to match product seasonality, as well as the rollout timing of new products to the National U.S. food producer's retail customers.

Customer Revenue Mix

	3 mon. ended Jun 30		6 mon. ended Jun 30	
	2022	2021	2022	2021
Revenues from Top 4 Customers	27%	31%	26%	29%

As at June 30, 2022, the Company served over 1,400 active National, Regional, and Small B2B customers across Canada and the United States compared to 800 B2B customers at June 30, 2021. On a year-over-year basis, the Company’s customer mix continues to diversify, with the top 4 customers in Q2 2022 representing 27% of total revenues, compared to 31% in Q2 2021.

Variable Gross Margin & Variable Gross Profit

The table below provides a reconciliation of gross profit to Variable Gross Profit and gross margin to Variable Gross Margin, the most directly comparable financial measures:

	3 mon. ended Jun 30			6 mon. ended Jun 30		
	2022	2021	+/-	2022	2021	+/-
Revenue	$ 25,546	$ 12,371	106%	$ 51,482	$ 20,271	154%
Variable cost of product	17,090	8,080	112%	34,805	12,758	173%
Variable Gross Profit[1]	8,456	4,291	97%	16,677	7,513	122%
Variable Gross Margin %[1]	33.1%	34.7%		32.4%	37.1%	
Fixed factory overhead	1,708	785	118%	3,295	1,218	171%
Gross profit	6,748	3,506	92%	13,382	6,295	113%
Gross margin %	26.4%	28.3%		26.0%	31.1%	

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

Variable Gross Margin for Q2 2022 and H1 2022 was 33.1% and 32.4% compared to 34.7% and 37.1% for Q2 2021 and H1 2022 respectively. Variable Gross Margin 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 Q2 2022 was largely influenced by the following factors:

- higher mix of revenues from the National market segment in Q2 2022 as compared to Q2 2021 – the higher revenue mix of National customers was primarily driven by the completion of the Ex-Tech acquisition and from revenue attributable to the National U.S. food producer originally announced in October 2021; and
- external supply chain and inflationary cost increases – the Company saw higher raw material and logistics costs driven by external supply chain increases and inflation, which intensified in the second half of FY2021. The Company continues to adjust product 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 Q2 2022 was 26.4% compared to 28.3% for Q2 2021. Gross margin for H1 2022 was 26.0% compared to 31.1% for H1 2021. 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 Q2 2022 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's owned and operated facilities, referred to as "insourced manufacturing", contributed approximately 89% of revenues for Q2 2022, as compared to 86% for Q2 2021. 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 in its own facilities or outsourced.

Fulfilment & Logistics

The following is a breakdown of the material components of fulfilment and logistics expenses in Q2 2022 and H1 2022 compared to Q2 2021 and H1 2021:

	3 mon. ended Jun 30			6 mon. ended Jun 30		
	2022	2021	+/-	2022	2021	+/-
Outsource fee	$ 337	$ 587	-43%	$ 754	$ 1,021	-26%
Fulfilment	1,437	806	78%	2,854	1,383	106%
Warehousing and other	470	261	80%	889	458	94%
Total Fulfilment & Logistics	2,244	1,654	36%	4,497	2,862	57%
Total Fulfilment & Logistics as a % of Revenue	9%	13%		9%	14%	

Fulfilment and logistics costs as a percentage of revenue for Q2 2022 and H1 2022 were 9%, compared to 13% and 14% in Q2 2021 and H1 2021. The decline was in part due to cost optimization realized by greater efficiency in transportation fees associated with larger trucking loads. Fulfillment and logistics costs in Q2 2022 increased 38% or $631 compared to Q2 2021, driven by the Ex-Tech acquisition, external inflationary supply chain costs, and increased warehousing costs. This was partially offset as the Company concurrently experienced a decrease in outsourced manufacturing fees due to the acquisition of Ex-Tech in May 2021 which, prior to the acquisition, served as an outsourced manufacturing partner for the Company.

Selling, General and Administrative

The following is a breakdown of the material components of SG&A expenses in Q2 2022 and H1 2022 compared to Q2 2021 and H1 2021, as well as a reconciliation of SG&A Excluding Acquisition Activity and One-Time Charges to SG&A, the most directly comparable financial measure:

	3 mon. ended Jun 30			6 mon. ended Jun 30		
	2022	2021	+/-	2022	2021	+/-
SG&A Wages	$ 2,304	$ 1,265	82%	$ 4,390	$ 2,154	104%
SG&A Other	1,454	847	73%	2,704	1,420	91%
Product Development expense	196	132	48%	388	231	68%
Acquisition related expenses & one-time charges[1]	646	914	-29%	924	1,060	-13%
SG&A	4,600	3,158	46%	8,406	4,865	73%
SG&A % of Revenue	18%	26%		16%	24%	
SG&A Excluding Acquisition Activity & One-Time Charges[1]	3,964	2,244	77%	7,492	3,805	97%
SG&A % of Revenue excluding acquisition related & one-time charges[1]	16%	18%		15%	19%	
SG&A Wages % of Revenues	9%	10%		9%	11%	

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

Overall SG&A expenses increased by 46% compared to Q2 2021, however, SG&A decreased as a percent of revenue to 18% for Q2 2022 compared to 26% for Q2 2021. The increase in SG&A expenses is due to the following factors:

- wages increased by 82% or $1,039 as a result of headcount added from the Ex-Tech acquisition, increases in average wage rates, additional corporate headcount to manage requirements driven by the growth of the business, people development, and for initiatives to strengthen administrative and compliance functions; and
- "SG&A other" increased by 73% or $607, largely comprised of, but not limited to, expenses such as accounting and audit fees, investor relations expenses, marketing & advertising, as well as general legal fees.

The increase in SG&A due to wages and "SG&A other" was partially offset by a 29% or $268 decline in acquisition-related activity & one-time charges.

Adjusted EBITDA

The following is a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure:

	3 mon. ended Jun 30			6 mon. ended Jun 30		
	2022	2021	+/-	2022	2021	+/-
Net loss for the period	$ (3,012)	$(3,698)	-19%	$(4,604)	$ (5,601)	-18%
Share-based compensation	574	705	-19%	1,175	975	21%
Depreciation	300	276	9%	971	512	90%
Depreciation in COGS & SG&A	455	217	110%	759	352	116%
Financing costs	1,318	926	42%	2,293	1,960	17%
Foreign exchange loss (gain)	789	468	69%	763	539	42%
Gain on WINN Loan	(15)	(29)	-48%	(15)	(29)	-48%
Loss on financing	4	46	-91%	4	212	-98%
Acquisition related expenses & one-time charges	646	914	-29%	924	1,060	-13%
Deferred income taxes recovery	(54)	-	-%	(108)	-	-%
Adjusted EBITDA[1]	$ 1,005	$ (175)	-674%	$ 2,162	$ (20)	-10910%

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

For Q2 2022, the Company recorded Adjusted EBITDA of $1,005 compared to a loss of $175 for Q2 2021. Adjusted EBITDA as a percent of revenue was 4% compared to -1% in Q2 2021. In addition to factors already outlined in the "SG&A" section above, the increase of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue was driven by the following factors:

- overall revenue grew by $13,175 or 106% compared to Q2 2021, and Variable Gross Profit increased by $4,165 or 97% compared to Q1 2021;
- the increase in gross profit contribution of $3,242 exceeded the growth in SG&A expenditures (excluding non-cash items);
- fulfilment and logistics as a percent of revenues declined to 9% in Q2 2022 compared to 13% in Q2 2021; and
- SG&A, including acquisition related expenses and one-time costs, as a percent of revenues declined to 18% in Q2 2022 from 26% in Q2 2021, allowing for greater contribution for non-operating/one-time costs.

Net Loss

For Q2 2022, the Company incurred a net loss of $3,012 or $0.01 per common share compared to a net loss of $3,698 or $0.02 per common share in Q2 2021. For H1 2022, the Company incurred a net loss of $4,604 or $0.02 per common share compared to a net loss of $5,601 or $0.03 per common share in H1 2021. In addition to factors already outlined in the "Adjusted EBITDA" section above, the change in net loss in Q2 2022 was driven by an increase in financing and foreign exchange loss that was not fully offset by a decrease in other costs, primarily share-based compensation and acquisition related expenses and one-time charges.

Financing Activity and Use of Proceeds

On June 1, 2022, the Company announced the closing of a Special Warrant Offering, described in more detail in "Recent Developments" above. Pursuant to the Special Warrant Offering, the Company issued 16,402,500 Special Warrants at the Issue Price for gross proceeds of $6.56 million. The proceeds of the Special Warrant Offering were used to acquire, through a wholly owned subsidiary, all the business and operating assets of Houston-based FormTex.

On October 28, 2021, the Company successfully closed an offering of convertible debentures for aggregate gross proceeds of $17.25 million (the "**Convertible Debenture**"**)** and a $35.8 million senior credit agreement with National Bank. The Company used the proceeds from the Convertible Debenture Offering and senior credit facility with National Bank to consolidate its remaining senior indebtedness with one senior secured debt financing partner (the "**Debt Refinancing").** As part of this Debt Refinancing, the Company secured $25.8 million in 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's objective in completing the Debt 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. As noted in the "Recent Developments" section of this MD&A, National Bank determined that the Company breached the FCCR covenant of the Senior Credit Facility as at December 31, 2021, resulting in the debt issued as part of the convertible debentures, a mortgage and any funds advanced as part of the senior credit

facility with National Bank being classified as current liabilities as at June 30, 2022. As noted previously, on August 26, 2022, all outstanding credit facility debt with National Bank was retired and new facilities were arranged as discussed in Recent Developments.

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.

Intended Use of Net Proceeds(1)	**Proposed Amount of Net Proceeds**	**Actual Use of Net Proceeds as of June 30, 2022**	**Remaining to be Spent**
On August 26, 2022, the Company successfully secured a USD $30 million asset-based revolving credit facility and an uncommitted USD $25 million revolving facility from Wells Fargo and a $6.6 million mortgage with BDC for debt retirement, acquisitions, capital asset additions, working capital and general corporate purposes. See "Recent Developments" section for further details.			
Debt Retirement, working capital and growth initiatives	$23,238	$0	$23,238
Special Warrant Offering for net proceeds $6,093 on June 1st 2022. The net proceeds were used to complete the acquisition of FormTex.			
Special Warrant Offering	$6,093	$6,093	$0
Convertible Debenture Offering of $16,228 and closing of a senior credit facility with National Bank completed on October 28, 2021.			
Debt Refinancing	$34,552	$31,087	$2,765
Bought deal offering of 19,262,500 common shares at a price of $1.20 per common share completed on March 4, 2021.			
Capital Expansion Projects (2)	$4,275	$1,673	$2,602
Future Acquisitions (3)	$10,000	$6,515	$3,484

(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.

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		Jun. 2022		Mar. 2022		Dec. 2021		Sept. 2021
Revenues	$	25,546	$	25,936	$	22,860	$	18,001
Adjusted EBITDA[1]	$	1,005	$	1,157	$	540	$	(588)
Net income (loss)	$	(3,012)	$	(1,592)	$	(4,175)	$	(2,919)
Basic and diluted loss per common share	$	(0.01)	$	(0.01)	$	(0.02)	$	(0.01)
Three months ended		**Jun. 2021**		**Mar. 2021**		**Dec. 2020**		**Sep. 2020**
Revenues	$	12,371	$	7,900	$	5,326	$	4,659
Adjusted EBITDA[1]	$	(175)	$	155	$	(839)	$	(337)
Net income (loss)	$	(3,698)	$	(1,903)	$	(3,153)	$	(1,712)
Basic and diluted loss per common share	$	(0.02)	$	(0.01)	$	(0.02)	$	(0.01)

[1] A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

Over the last eight quarters, the Company's quarter-over-quarter revenue growth has ranged from -2% to 57%. Factors that affected quarter-over-quarter revenue growth include, but are not limited to:

- the Company completed acquisitions in May 2021, and December 2020;
- the Company grew its active B2B customer base to over 1,400 as at June 30, 2022;
- 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 of FY2021 that resulted in higher selling prices per unit; and
- in the three months ended September 30, 2021, the Company commenced shipping commercial quantities to a large U.S. food producer that is expected to produce approximately USD $13.0 million in revenue in the first year, however shipment timing related to seasonality, and the

rollout of new products from the food producer to its retail customers are expected to fluctuate from quarter to quarter.

Over the last eight quarters, the Company's net loss ranged from $1,592 to $4,175. Factors that affected changes in net loss included, but were not limited to:

- the Company completed acquisitions in May 2021 and December 2020, resulting in increased quarterly gross profit contributions;
- additions to headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions, 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 acquisitions 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, which 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 secured a senior credit facility with National Bank, the proceeds of which were substantially used to retire existing debt. The Debt Refinancing 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 MD&A for FY2020, Amended and Restated MD&A for FY2021, and the MD&A for Q1 2022. These MD&As should be read in conjunction with the respective consolidated financial statements.

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

On June 1, 2022, the Company announced the closing of a non-brokered private placement of special warrants. Pursuant to the Special Warrant Offering, the Company issued 16,402,500 Special Warrants at the Issue Price for gross proceeds of $6561. The proceeds of the Special Warrant Offering were used, through a wholly owned subsidiary, to acquire all the business and operating assets of Houston-based FormTex.

As at June 30, 2022, the Company had cash of $16,700, net working capital of ($12,684), and $48,942 of long-term debt, of which $40,213 is classified as current as a result of the Company's reclassification of long-term debt to meet the requirements of National Bank, as noted in the "Recent Developments" section, as well as below.

As at June 30, 2022, the Company had drawn an aggregate of approximately $13,667 of outstanding credit facility debt with its primary lender, National Bank. This consisted of approximately $11,225 on a $15,000 revolving working capital credit facility and $2,442 on a $4,000 revolving term capital expenditure credit facility. As at June 30, 2022, the Company had not drawn upon the uncommitted $10,000 accordion. The Company also had $6,552 of outstanding non-revolving term credit with National Bank that was secured by a first mortgage on the Company's Brampton, Ontario manufacturing location.

As discussed in the "Recent Developments" section, on August 26, 2022 the Company successfully closed the financing of the Senior Credit Facility with Wells Fargo. Additionally, on August 26, 2022, the Company secured gross proceeds of $6,600 from its Mortgage Refinancing. The initial draw on the Senior Credit Facility was used to retire $13,667 of outstanding credit facility debt with National Bank. Proceeds from the Mortgage Refinancing were used to retire $6,552 of outstanding non-revolving term credit facility with National Bank that was secured by a first mortgage on the Company's Brampton, Ontario manufacturing location.

The convertible debentures that mature on October 31, 2026 accrue interest at the rate of 7%, 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.

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 H1 2022 compared to H1 2021:

	6 mon. ended Jun 30		+/-	+/-
	2022	2021	$	%
Cash provided (used) in operating activities	$ 1,367	$ (7,829)	$ 9,196	-117%
Cash provided by financing activities	7,778	29,061	(21,283)	-73%
Cash used in investing activities	(3,315)	(17,193)	13,878	-81%
Effect of foreign exchange rate changes on cash	215	(71)	286	-403%
Net change in cash	6,045	3,968	2,077	52%
Beginning cash	10,655	8,114	2,541	31%
Ending Cash	$ 16,700	$ 12,082	$ 4,618	38%

Cash provided by operating activities for H1 2022 was $1,367 compared to $7,829 used in operating activities for H1 2021. A total of $9,196 of the increase in operating cash flow for H1 2022 was driven by an increase in non-cash working capital, which was primarily due to increases in accounts payable of $4,774 and was partly offset by an increase in inventory levels of $2,071. The improvement in operating cash contribution was a result of the increase in gross profit contribution, in addition to the decrease in SG&A as a percentage of revenue.

Cash provided by financing activities in H1 2022 was $7,778 compared to $29,061 in H1 2021. In H1 2021, the Company received net proceeds of $21,184 from issuing shares, whereas in H1 2022, the Company received net proceeds of $6,093 from the Special Warrant Offering (See "Recent Developments" section for further details).

Cash used by investing activities in H1 2022 was $3,315 compared to $17,193 in H1 2021. In H1 2022, the Company invested $3,364 in high-speed manufacturing equipment and received $109 in proceeds from the disposal of equipment. In H1 2021, the Company acquired Ex-Tech for $15,337 in addition to investing in high-speed manufacturing equipment totaling $1,673.

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 net working capital at June 30, 2022, December 31, 2021 and June 30, 2021:

	Jun-22	Dec-21	Jun-21
Cash	16,700	10,655	12,082
Accounts Receivable	13,133	13,689	11,801
Inventory	15,564	16,036	13,375
Prepaids	1,261	987	778
Accounts payable	19,129	17,699	15,426
Credit facility	-	-	2,239
Current portion Long-term Debt	40,213	39,681	4,114
Net Working Capital	(12,684)	(16,036)	16,257
Net Working Capital Excluding Current Portion of Long-term Debt[1]	27,529	23,668	20,371

Raw Materials	11,689	11,817	12,567
Finished Goods	3,862	4,219	808
Inventory	15,551	16,036	13,375

[1]A non-IFRS measure. Refer to the Non-IFRS Financial Measures section of this MD&A for an explanation of these measures and reconciliation to the Company's financial results reported in accordance with IFRS.

The change in net working capital from June 30, 2021 to June 30, 2022 is due primarily to:

- the FCCR breach under the Company's senior credit facility with National Bank resulted in a reclassification of $37,937 in long-term debt into current liabilities as the Company lost the unconditional right to defer the settlement of such debts. See further discussions in the "Liquidity" section. As noted previously, on August 26, 2022, all outstanding credit facility debt with National Bank was retired;

- the closing of the Special Warrant Offering. The Company issued 16,402,500 Special Warrants at the Issue Price for gross proceeds of $6,561; and
- improvement in non-cash net working capital management, specifically an increase in accounts payable, overall management of inventory levels and collection of receivables as a result of the growth of the business, including through acquisitions, and increased vendor payments for the Industrial business group.

As at June 30, 2022, the Company had no new 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 macroeconomic trends that support the Company's objective for continued organic and acquisition growth.

The Company anticipates operating conditions to remain challenging and continues to prioritize growth by servicing its existing customers with minimal disruption, while seeking to acquire new customers that are interested in switching to sustainable products, and in some cases are challenged to secure a steady supply of goods. Management anticipates consumer demand for staple goods to be resilient, however spending habits could shift if macroeconomic conditions show signs of slowing, and an economic slowdown may negatively impact financial results. The Company's believes its strategic positioning in the food supply chain will allow it to continue to capture end market demand, even if consumer spending habits shift away from discretionary items in the coming quarters.

The Company is closely monitoring and collaborating with customers and suppliers on supply chain activity, which management believes has been showing signs of improvement compared to 2020 and 2021. Inflationary cost pressures throughout the Company's supply chain are anticipated to continue for most of the remainder of 2022, however management has had indications that some cost and availability pressures may begin to abate in late 2022 and through 2023. If inflationary pressures begin to abate, the Company anticipates a decrease in average selling prices, which may negatively impact revenue

growth and financial results. The Company expects that the continued changing macroeconomic backdrop may lead to some volatility in underlying fundamentals over the next few quarters.

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.

In 2022, the Company is focused on increasing the percentage of revenue contribution from its Packaging business group by leveraging its acquisitions and executing on its organic growth initiatives to augment its thermoformed packaging capability. The Company is also looking to increase revenue contributions from General Merchandise, Services and Commercial & Business Supplies business groups.

off-balance sheet arrangements

As at June 30, 2022 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 Q2 2022 compared to Q2 2021:

	3 months ended June				6 months ended June			
		2022		2021		2022		2021
Salaries, management, consulting and directors fees	$	450	$	345	$	855	$	674
Share based payments(i)		206		427		540		611
	$	656	$	772	$	1,395	$	1,285

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

At June 30, 2022, $350 (December 31, 2021 - $233) was due to directors and officers of the Company for accrued bonus, management, consulting, director fees and expense reimbursement.

On June 1, 2022, Paul Antoniadis, the Company's CEO, subscribed for 40,000 Special Warrants as part of the Special Warrant Offering. For additional information regarding the Special Warrant Offering see "Recent Developments."

The following provides corrections to certain disclosures regarding the awarding of performance share units ("**PSUs**") in the Statement of Executive Compensation – Compensation Securities table found on page 23 of the Company's Management Information Circular dated June 13, 2022. The Compensation Securities table correctly reported that Paul Antoniadis, Executive Chair and CEO, received 444,472 PSUs; Don Holmstrom, Executive Vice President, received 366 889 PSUs; and Kevin Leong, CFO, received 105,750 PSUs in the financial year ended December 31, 2021. However, the proportion of these PSUs for each individual that vested as of May 2, 2022 was incorrectly reflected. With regard to Mr. Antoniadis, 316,681 of such PSUs met their performance vesting conditions as of May 2, 2022 (with 63,896 of such PSUs still remaining subject to a time-vesting condition) while the remaining 127,791 PSUs did not vest as the underlying performance criteria were not met. With regard to Mr. Holmstrom, 277,889 of such PSUs met their performance vesting conditions as of May 2, 2022 (with 44,500 of such PSUs still remaining subject to a time-vesting condition) while the remaining 89,000 PSUs did not vest as

the underlying performance criteria were not met. With regard to Mr. Leong, 52,875 of such PSUs met their performance vesting conditions as of May 2, 2022 (with 26,437 of such PSUs still remaining subject to a time-vesting condition) while the remaining 52,875 PSUs did not vest as the underlying performance criteria were not met. In accordance with applicable public disclosure requirements, this information will be further reflected in the Company's statement of executive compensation for the financial year ended December 31, 2022.

proposed transactions

As of the date of this MD&A, the Company does not have any proposed asset or business acquisitions or dispositions.

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.

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 June 30, 2022, 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 three months ended June 30, 2022. 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 amended and restated annual audited consolidated financial statements for, or subsequent to, 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 since the financial year ended 2021, no significant accounting policies have been adopted or are expected to be adopted.

financial instruments

The Company's financial instruments as at June 30, 2022 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 June 30, 2022, trade and other receivables total $13,133 (December 31, 2021, $13,689). There is allowance for doubtful accounts of $190 included in this balance, 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/or
- 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:[2]

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	223,188,427	N/A-
Options	8,450,739	8,450,739
Other equity incentive compensation	6,990,660	6,990,660
Warrants	1,752,150	1,752,150
Special Warrants	17,365,650	26,048,475
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		288,421,427

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.

[2] [NTD: This table requires updating and should reflect the Special Warrants.]

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 Interim 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 in the Interim Financial Statements, and (ii) the Interim Financial Statements 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 response to the covenant breach which has resulted in the refiling of the Company's FY2021 financial statements. Management continues to evaluate its internal processes regarding covenant calculations to identify areas for improvement.

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 Interim Financial Statements 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.goodnaturedproducts.com.