

Consolidated Condensed Interim Financial Statements (Unaudited)
(Expressed in Canadian dollars)

GOOD NATURED PRODUCTS INC.

Three and nine months ended September 30, 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.

NOTICE TO READER

Under National Instrument 51-102 "Continuous Disclosure Requirements", Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2022 and 2021 in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GOOD NATURED PRODUCTS INC.

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

	30-Sep 2022	31-Dec 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,342	\$ 10,655
Trade and other receivables	16,043	13,689
Inventory (note 3)	17,326	16,036
Prepaid expenses	1,272	987
	<u>45,983</u>	<u>41,367</u>
Non-current assets:		
Property and equipment (note 5)	34,853	30,463
Right-of-use assets (note 6)	5,307	2,165
Customer relationships (note 7)	6,799	5,725
Intangible and other assets (note 7)	3,246	3,125
Goodwill (note 7)	9,346	7,684
	<u>\$ 105,534</u>	<u>\$ 90,529</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,731	\$ 17,699
Current portion of long-term debt (note 8)	3,667	39,681
	<u>26,398</u>	<u>57,380</u>
Non-Current liabilities:		
Long-term debt (note 8)	50,448	6,674
Contingent consideration liability	1,998	1,890
Deferred income tax liabilities	3,332	3,493
	<u>55,778</u>	<u>12,057</u>
Shareholders' Equity:		
Common share capital	57,552	57,083
Contributed surplus (note 9(a))	13,236	5,883
Foreign currency translation reserve	1,986	872
Deficit	(49,416)	(42,746)
	<u>23,358</u>	<u>21,092</u>
Total Liabilities and Shareholders' Equity	<u>\$ 105,534</u>	<u>\$ 90,529</u>

Subsequent events (note 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“Jim Zadra” Director

“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 Sep. 30		Nine months ended Sep. 30	
	2022	2021	2022	2021
Product revenue (note 13)	\$ 26,178	\$ 18,001	\$ 77,660	\$ 38,272
Cost of product revenue (note 11)	(19,046)	(13,989)	(57,146)	(27,965)
Gross profit	7,132	4,012	20,514	10,307
Other (Expenses) Income:				
Selling, general, and administrative (note 12)	(4,583)	(3,845)	(12,989)	(8,710)
Fulfilment and logistics	(2,595)	(1,671)	(7,092)	(4,533)
Share-based compensation (note 9(b,d))	(381)	(781)	(1,556)	(1,756)
Depreciation and amortization	(465)	(306)	(1,436)	(818)
Financing costs	(1,394)	(974)	(3,687)	(2,934)
Foreign exchange gain (loss)	611	486	(152)	(53)
Loss on debt repayment and conversion	(445)	-	(449)	(212)
Gain on interest free loan	-	14	15	43
Net loss before taxes	(2,120)	(3,065)	(6,832)	(8,666)
Deferred income tax recovery	54	146	162	146
Net income (loss) for the period	(2,066)	(2,919)	(6,670)	(8,520)
Other comprehensive (loss) gain, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Unrealized currency gain (loss) on translation of foreign operations	\$ 302	\$ (470)	\$ 1,114	\$ (227)
Comprehensive loss for the period	(1,764)	(3,389)	(5,556)	(8,747)
Basic and diluted comprehensive loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average shares outstanding – basic and diluted	224,592	216,713	223,323	208,482

See accompanying notes to unaudited condensed consolidated interim 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 9)	19,263	20,414	612	-	-	-	21,026
Shares issued upon warrant exercise	10,947	2,409	(347)	-	-	-	2,062
Shares issued upon debenture conversion (note 9(a))	4,395	1,011	(191)	-	-	-	820
Shares issued upon option exercise (note 9(a))	904	189	-	(58)	-	-	131
Shares issued upon debt conversion	2,720	3,239	(67)	-	-	-	3,172
Share based compensation (note 9(b,d))	-	-	-	1,756	-	-	1,756
Net comprehensive loss	-	-	-	-	(227)	(8,520)	(8,747)
Balance at September 30, 2021	217,487	\$ 56,145	\$ 1,504	\$ 2,937	\$ 17	\$ (38,571)	\$ 22,032
Shares issued upon warrant exercise	1,815	229	(66)	-	-	-	163
Shares issued upon debenture conversion (note 9(a))	218	26	(8)	-	-	-	18
Conversion feature and warrants of convertible debenture	-	-	1,880	-	-	-	1,880
Shares issued upon option exercise (note 9(a))	270	26	-	(14)	-	-	12
Share based compensation (note 9(b,d))	-	-	-	498	-	-	498
Vested RSU & PSU incentive issuance (note 9(d))	893	657	-	(848)	-	-	(191)
Net comprehensive loss	-	-	-	-	855	(4,175)	(3,320)
Balance at December 31, 2021	220,683	\$ 57,083	\$ 3,310	\$ 2,573	\$ 872	\$ (42,746)	\$ 21,092
Issuance of Special Warrants, net (note 9(a))	-	-	5,933	-	-	-	5,933
Shares issued upon warrant exercise	1,989	320	(68)	-	-	-	252
Shares issued upon debenture conversion (note 9(a))	217	50	(3)	-	-	-	47
Shares issued upon option exercise (note 9(a))	246	47	-	(13)	-	-	34
Share based compensation (note 9(b,d))	-	-	-	1,556	-	-	1,556
Vested RSU & PSU incentive issuance (note 9(d))	71	52	-	(52)	-	-	-
Net comprehensive loss	-	-	-	-	1,114	(6,670)	(5,556)
Balance at September 30, 2022	223,206	\$ 57,552	\$ 9,172	\$ 4,064	\$ 1,986	\$ (49,416)	\$ 23,358

Supplementary disclosure with respect to cash flows (note 14).

See accompanying notes to consolidated financial statements.

GOOD NATURED PRODUCTS INC.

Consolidated Statements of Cash Flow

(In thousands) (Unaudited)

	Nine months ended Sep. 30	
	2022	2021
Cash provided by (used in):		
Operations:		
Net loss	\$ (6,670)	\$ (8,520)
Items not involving cash:		
Depreciation and amortization	2,017	1,113
Unrealized foreign exchange (gain) loss	(201)	(486)
Amortization of right of use assets	494	278
Share based compensation (note 9(b, d))	1,556	1,756
Loss on debt retirement and conversion	449	212
Gain on interest free loan	(15)	(43)
Gain on equipment disposal	(63)	-
Financing costs	3,687	2,934
Deferred income tax	(162)	(146)
	1,092	(2,902)
Changes in non-cash operating working capital:		
Trade and other receivables	(1,581)	459
Inventory	(430)	(8,229)
Prepaid expenses	(300)	578
Accounts payable and accrued liabilities	4,582	458
	2,271	(6,734)
Finance costs paid	(2,841)	(2,441)
Cash provided by (used in) operating activities	522	(12,077)
Financing:		
Issuance of common shares and Special Warrants, net of issuance costs (note 9(a))	5,933	21,026
Exercise of warrants for common shares	252	2,062
Exercise of options for common shares	34	131
Credit line repayment	-	1,585
Proceeds from long-term debt, net of issuance costs (note 8)	24,327	10,102
Repayment of long-term debt (note 8)	(21,966)	(4,120)
Proceeds from equipment sale leaseback (note 8)	1,431	-
Cash provided by financing activities	10,011	30,786
Investments:		
Business acquisition (note 4)	(5,338)	(15,438)
Proceeds on equipment disposal	109	-
Purchase of equipment	(5,134)	(2,523)
Purchase of other assets	(291)	(192)
Cash used in investing activities	(10,654)	(18,153)
Effect of foreign exchange rate changes on cash	808	50
Increase (decrease) in cash	687	606
Cash and cash equivalents, beginning of period	10,655	8,114
Cash and cash equivalents, end of period	11,342	8,720

Supplementary disclosure with respect to cash flows (note 14).

See accompanying notes to consolidated financial statements.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
Nine months ended September 30, 2022 and 2021
(In thousands)

1. Nature of operations:

good natured Products Inc. (the “Company”) is a Canadian company incorporated under the British Columbia Business Corporations Act. Its common shares are listed on the Canadian TSX Venture Exchange (“TSX-V”) as a Tier 2 issuer under the symbol “GDNP” and on OTCQX Best Market in the United States under the symbol of “GDNPF”. The Company’s head office is located at 814 - 470 Granville Street, Vancouver, British Columbia, Canada. The Company offers a broad assortment of plant-based products made all, or in part, from the maximum possible amount of rapidly renewable resources. All of the Company’s operations are within the packaging and consumer goods manufacturing industry. The Company manufactures and/or sources over 400 products that are grouped into five business groups: General Merchandise, Packaging, Industrial, Commercial Supplies, and Services. The Company offers its products through wholesale, direct to business, and retail channels. As part of its acquisition strategy, the Company has acquired and may acquire businesses that produce petroleum-based products. 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 Company has continued to operate all of its North American facilities during the COVID-19 pandemic and continues to reinforce government-mandated measures implemented to mitigate health risks to employees, business partners and communities where the Company operates and prevent disruptions. 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. To date, the Company has not experienced a material disruption to operations as a result of the COVID-19 pandemic. 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.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
Nine months ended September 30, 2022 and 2021
(In thousands)

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 November 21, 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. The Company successfully secured a new financing facility from a US-based lender and fully repaid the outstanding debt in default due to National Bank of Canada ("National Bank") (Note 8). As such, the Company believes there is no longer a significant going concern judgment required as 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
Nine months ended September 30, 2022 and 2021
(In thousands)

3. Inventory

	September 30, 2022	December 31, 2021
Raw materials	\$ 12,640	\$ 11,817
Finished goods	4,686	4,219
Total	\$ 17,326	\$ 16,036

During the three and nine months ended September 30, 2022, inventory valued at \$15,102 and \$46,070 respectively, was expensed as cost of goods sold and reflected within cost of product revenues (2021 - \$11,239 and \$22,315).

4. Acquisition

On July 1, 2022, the Company, through a wholly owned subsidiary, closed the acquisition of all the business and operating assets of Houston-based FormTex Plastics Corporation ("FormTex") for cash consideration of approximately USD \$4.5 million.

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

Cash funded via treasury	\$ 5,338
Total Purchase Price	\$ 5,338

The following table summarizes the preliminary allocation of the purchase price:

Accounts receivable	\$ 774
Inventory	618
Manufacturing and other equipment	1,549
Right of use assets	748
Customer relationships	1,287
Goodwill	1,560
Current liabilities	(450)
Lease liabilities	(748)
Net assets acquired	\$ 5,338

Accounts receivable acquired are at full contract value. The goodwill is calculated as the difference between the purchase price and the fair value of the assets acquired and liabilities assumed and is attributable to the recognition of deferred income tax liabilities as required by IFRS. The Company considers this as a cash generating unit ("CGU") and as such the goodwill generated from this acquisition has been allocated to this CGU.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
 Nine months ended September 30, 2022 and 2021
(In thousands)

5. 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	-	527	4,476	6	(1,324)	3,685
Foreign exchange	-	-	734	-	(29)	705
Sep. 30, 2022	\$ 5,356	\$ 10,058	\$ 21,991	\$ 203	\$ (2,755)	\$ 34,853

6. Right of use assets

The company enters into leases for manufacturing equipment, buildings, and office spaces for its operations. The Company is required to recognize a right of use assets for the underlying assets from these leases.

These right of use assets are initially measured at cost less accumulated depreciation, 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	3,638	(496)	3,142
Sep. 30 2022	\$ 6,336	\$ (1,029)	\$ 5,307

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
 Nine months ended September 30, 2022 and 2021
 (In thousands)

7. 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	1,287	(347)	940
Foreign exchange	230	(96)	134
Sep. 30, 2022	\$ 9,479	\$ (2,680)	\$ 6,799

	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	-	227	(106)	121
Sep. 30, 2022	\$ 2,200	\$ 1,206	\$ (160)	\$ 3,246

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	\$ 7,684	\$ -	\$ 7,684
Additions	1,560	-	1,560
Foreign exchange	102	-	102
September 30, 2022	\$ 9,346	\$ -	\$ 9,346

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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 (In thousands)

8. Long-term debt:

	Retired Debt (a,c)	Debentures	Wells Fargo (a)	Vendor Notes	Leases	Other debt (b)	Total
Dec. 31, 2020	\$ 24,190	\$ 1,814	-	\$ 4,684	\$ 644	\$ 1,499	\$ 32,831
Proceeds, net	26,147	14,349	-	-	1,948	3,641	46,085
Repayment	(28,802)	-	-	(300)	(415)	(424)	(29,941)
Conversion	(3,122)	(862)	-	(50)	-	-	(4,034)
Accretion / Loss	1,211	247	-	-	54	97	1,609
Foreign Exchange	(195)	-	-	-	-	-	(195)
Dec. 31, 2021	\$ 19,429	\$ 15,548	\$ -	\$ 4,334	\$ 2,231	\$ 4,813	\$ 46,355
Proceeds, net	700	-	16,559	-	3,847	7,053	28,159
Repayment	(20,687)	-	-	-	(964)	(315)	(21,966)
Conversion	-	(42)	-	-	-	-	(42)
Accretion/Loss	496	423	-	-	177	86	1,182
Foreign exchange	62	-	-	-	85	280	427
Sep. 30, 2022	\$ -	\$ 15,929	\$ 16,559	\$ 4,334	\$ 5,376	\$ 11,917	\$ 54,115

	Sep. 30 2022	Dec. 31 2021
Current portion	\$ 3,667	\$ 39,681
Non-current portion	50,448	6,674
	\$ 54,115	\$ 46,355

- a) On August 26, 2022, the Company completed a USD \$55 million financing (the "Senior Credit Facility") with Wells Fargo Bank, N.A. ("Wells Fargo"), through its wholly owned subsidiary Wells Fargo Capital Finance Corporation Canada, consisting of a USD \$30 million asset-based revolving credit facility and an uncommitted USD \$25 million revolving facility, available at the discretion of Wells Fargo. The term length of the revolving credit facility is the lesser of 5 years or 90 days prior to the maturity of the convertible debentures (October 31, 2026). The initial draw on the Senior Credit Facility, combined with the proceeds of the BDC Mortgage Refinancing (Note 8(b)) was used to retire all outstanding debt with National Bank, cover transaction costs and to provide additional working capital. The Senior Credit Facility will bear interest at the U.S. Secured Overnight Financing Rate ("SOFR") plus 2.50 - 3.00% subject to certain operating benchmarks. The Senior Credit Facility is secured by a general security interest over the assets of all existing and future subsidiaries of the Company. As of September 30, 2022, the Company was in compliance with all covenants.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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(In thousands)

8. Long-term debt (continued):

- b) On August 26, 2022, the Company closed a \$6.7 million financing (the "Mortgage Refinancing") with Business Development Bank of Canada ("BDC"). Proceeds of the Mortgage Refinancing were 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. The mortgage loan will bear interest at BDC's Base Rate minus 0.25%, with future downward adjustments, and is secured by, among other collateral, the land and buildings at Brampton. BDC has made an additional \$3.9 million available as funding toward future capital projects (note 15).
- c) As at December 31, 2021, due to a default on its senior credit facility with National Bank, the Company had \$39,681 of non-current debt classified as current, which included other long-term debt potentially in cross default. On August 26, 2022, the Company fully repaid the outstanding debt due to National Bank.

Undiscounted repayment commitment:

The required undiscounted annual repayments of the Company's long-term debt for the twelve months ending September 30 follow:

2023	\$	3,667
2024		4,771
2025		3,995
2026		4,812
2027 and beyond		38,483
	\$	55,728

9. 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 September 30, 2022, 225,124 common shares were issued and outstanding (December 31, 2021 – 220,683).

Shares for debenture conversion and debt repayment:

During the nine months ended September 30, 2022, the Company issued 217 shares at an average conversion price of \$0.23 per share pursuant to the conversion of \$50 of outstanding debentures (Year ended December 31, 2021 – 4,613 shares; \$1,061).

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.

On March 3, 2021, the Company completed the conversion of \$3,122 of its long-term credit facility with BDC by issuing 2,657 common shares to BDC at a fair value price of \$1.20 per share.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
Nine months ended September 30, 2022 and 2021
(In thousands)

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

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.

Special Warrants Offering

In June 2022, the Company completed the offering of special warrants 16,403 Special Warrants at an issue price of \$0.40 per Special Warrant for gross proceeds of \$6,561. In connection with the Offering, the Company paid an aggregate cash commission of \$385, representing 6.0% of the aggregate gross proceeds of the Offering, and issued an aggregate of 963 compensation options representing 6.0% of the aggregate number of Special Warrants issued pursuant to the Offering.

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 (a "Unit"). Each Unit consists of one common share of the Company and one half of one common share purchase warrant of the Company. The Special Warrants are subject to an automatic conversion provision whereby the Special Warrants will convert into Units on that date that is earlier of:

- I. The 3rd business day following the date on which a prospectus supplement to the Company's base shelf prospectus dated January 19, 2022 is filed qualifying the distribution of the Units underlying the Special Warrants issued under the Private Placement; or
- II. the date that is four (4) months and one day following the closing date of this Private Placement October 2, 2022

Each Unit consists of one common share of the Company and one half of one common share purchase warrant of the Company. Each full Warrant will entitle the holder thereof to acquire one common 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 is 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.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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(In thousands)

9. 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	801	0.72
Exercise of options	(246)	0.13
Forfeiture of options	(163)	0.86
Outstanding at September 30, 2022	8,424	\$ 0.31
Exercisable at September 30, 2022	6,187	\$ 0.22

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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9. 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	4,579	3,600	6.1
\$0.16 to \$0.20	2,048	2,048	3.2
\$0.21 to \$0.25	192	192	2.0
\$0.26 to \$1.29	1,605	347	6.2
	8,424	6,187	5.4

The weighted average fair value per option granted in the nine months ended September 30, 2022 was \$0.39 (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:

	Nine months ended Sep. 30, 2022	Year ended Dec. 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 Special Warrants note (9(a))	16,403	0.40
Issuance of warrants to brokers note (9(a))	963	0.40
Exercise of warrants	(1,989)	0.19
Forfeiture of warrants	(452)	0.12
Outstanding at September 30, 2022	19,118	\$ 0.43

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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 (In thousands)

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

(c) Share purchase warrants (continued):

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
December 2022	596	0.47	0.47
March 2023	1,156	1.20	0.68
October 2, 2022 (note 8(a))	16,403	0.40	0.25
June 1, 2024 (note 9(a))	963	0.40	1.92
	19,118	\$ 0.47	0.84

(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	2,996	128	493	3,617
Unit Issuance	2,052	-	2,202	4,254
Forfeiture	(456)	-	(15)	(471)
Share Issuance upon vesting	(1,496)	-	(493)	(1,989)
September 30, 2022	3,096	128	2,187	5,411

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.

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9. 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 the Company's market capitalization, with the second group vesting based on achievement of internal operating performance metrics as detailed by management. The total value for the PSUs of \$600 on date of grant will be amortized over the life of the respective terms (Year ended December 31, 2021 - \$460)

10. Related party transactions

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

	Three months ended Sep. 30		Nine months ended Sep. 30	
	2022	2021	2022	2021
Salaries, consulting and director fees	\$ 625	\$ 349	\$ 1,480	\$ 1,023
Share based payments	165	428	705	1,039
	\$ 790	\$ 777	\$ 2,185	\$ 2,062

As at September 30, 2022, \$344 (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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11. Cost of product revenue:

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

	Three months ended Sep. 30		Nine months ended Sep. 30	
	2022	2021	2022	2021
Variable cost of product	\$ 17,287	\$ 12,824	\$ 52,092	\$ 25,582
Fixed factory overhead	1,298	894	3,834	1,797
Depreciation	461	271	1,220	586
	\$ 19,046	\$ 13,989	\$ 57,146	\$ 27,965

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.

12. Selling, general, and administrative (SG&A):

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

	Three months ended Sep. 30		Nine months ended Sep. 30	
	2022	2021	2022	2021
SG&A wages	\$ 2,630	\$ 2,029	\$ 7,020	\$ 4,183
SG&A other	1,405	1,096	4,109	2,516
Product development	171	94	559	325
Acquisition related activity and One-time charges	377	626	1,301	1,686
	\$ 4,583	\$ 3,845	\$ 12,989	\$ 8,710

13. Segmented information:

All of the Company's operations are within the packaging and consumer goods 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 88% of total revenue coming from customers in the United States and 12% in Canada.

For the nine months ended September 30, 2022 and 2021, the Company's significant reportable segments aggregates its subsidiaries operating performance into five 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.

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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13. Segmented information (continued):

The following is a breakdown of the Company's operating performance by business group for the three months ended September 30, 2022 and 2021.

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
Sep. 30, 2022						
Revenue	\$ 26,178	\$ 15,193	\$ 10,065	\$ 326	\$ 25	\$ 569
Net income, before corp. costs	2,509	1,028	1,002	248	-	231
Depreciation and Amortization	657	498	159	-	-	-
Capital Expenditures	1,108	180	928	-	-	-
Reportable segments assets	79,870	53,166	26,704			
Sep. 30, 2021						
Revenue	\$ 18,001	\$ 14,369	\$ 3,211	\$ 263	\$ -	\$ 158
Net income, before corp. costs	2,342	1,685	547	(4)	-	114
Depreciation and Amortization	1,404	992	412	-	-	-
Capital expenditures	9,976	7,503	2,473	-	-	-
Reportable segments assets	66,621	59,321	7,300	-	-	-

The following is a breakdown of the Company's operating performance by business group for the nine months ended September 30, 2022 and 2021.

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
Sep. 30, 2022						
Revenue	\$ 77,660	\$ 54,110	\$ 21,018	\$ 931	\$ 62	\$ 1,539
Net income, before corp. costs	7,203	4,570	1,050	723	(4)	864
Depreciation and Amortization	2,656	2,280	376	-	-	-
Capital Expenditures	2,625	1,268	1,357	-	-	-
Reportable segments assets	79,870	53,166	26,704			
Sep. 30, 2021						
Revenue	\$ 38,272	\$ 29,257	\$ 7,836	\$ 721	\$ -	\$ 458
Net income, before corp. costs	5,776	4,035	1,587	(26)	-	180
Depreciation and Amortization	1,404	992	412	-	-	-
Capital expenditures	11,607	9,040	2,567	-	-	-
Reportable segments assets	66,621	59,321	7,300	-	-	-

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
Nine months ended September 30, 2022 and 2021
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13. Segmented information (continued):

The following is a reconciliation of total reportable segment net income, before corporate costs to net loss before taxes:

	Three months ending		Nine months ending	
	Sep. 30, 2022	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021
Reportable segment net income, before corp. costs	\$ 2,509	\$ 2,342	\$ 7,203	\$ 5,776
Parent company costs (unallocated)	(2,178)	(3,220)	(5,469)	(7,026)
SG&A (unallocated)	(377)	(626)	(1,301)	(1,686)
<i>Adjustments to reconcile to net loss before taxes:</i>				
Share based compensation	(381)	(781)	(1,556)	(1,756)
Depreciation and amortization	(465)	(306)	(1,436)	(818)
Financing costs	(1,394)	(974)	(3,687)	(2,934)
Foreign exchange gain (loss)	611	486	(152)	(53)
Loss on debt repayment and conversion	(445)	-	(449)	(212)
Gain on interest free loan	-	14	15	43
Net loss before taxes	\$ (2,120)	\$ (3,065)	\$ (6,832)	\$ (8,666)

GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements
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14. Supplementary cash flow information:

	Nine months ended September 30	
	2022	2021
Non-cash investing activities:		
Acquisition of right of use asset via equipment lease	\$ 1,440	\$ -
Non-cash financing activities:		
Capitalized equipment lease liability	\$ 1,440	\$ -
Shares issued for conversion of debentures	\$ 50	\$ 820
Shares issued for conversion of BDC loan	\$ -	\$ 3,123
Shares issued for conversion of other debt	\$ -	\$ 50

15. Subsequent events:

- a) On October 2, 2022, the 16,403 Special Warrants issued in June 2022 (note 9(a)) automatically converted into Units as per the terms of agreement. Each Unit consists of one common share of the Company and one half of one common share purchase warrant of the Company. Each full Warrant will entitle the holder thereof to acquire one common 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.
- b) On October 3, 2022, the Company completed the purchase of the land and buildings located at the Company's Ayr, Ontario manufacturing location for cash consideration of \$9.4 million (the "Ayr Purchase"). The Ayr Purchase was funded by a \$6.5 million non-revolving loan facility from HSBC Bank Canada ("HSBC") with a 5-year term and \$2.9 million from the available \$3.9 million of the credit facility with Business Development Bank of Canada ("BDC").