

good natured Products Inc.

Management Discussion & Analysis for the Three and Twelve Months Ended December 31, 2022

as at April 26, 2023



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 April 26, 2023 and provides an analysis of the Company's financial results for the three and twelve months ended December 31, 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 consolidated financial statements for the three months ("Q4 2022") and twelve months ("FY2022") ended December 31, 2022.

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", "should", "will", "projects", "predicts", "targets", "expects", "intends", "believes",

“plans”, “anticipates”, “continue”, “growing”, “expanding”, or their corresponding negatives or other comparable words. Forward-looking statements include statements regarding the Company’s estimate of anticipated revenue from its commercial contracts, the outlook for the Company’s future operations; anticipated product development, plans and timing for the introduction or enhancement of its services and products; strategies or developments; future market and operating conditions; supply conditions; end customer demand conditions; channel inventory and sell through; forecasts of future costs and expenditures; future product sales and production volumes, expenses and costs; our customers, suppliers and partners; sources of capital, liquidity and our financial outlook; our business, financial condition and results of operations; and our beliefs, objectives, estimates, 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 contract signed in July 2022, 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. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. While management considers these assumptions to be reasonable based on information currently available, such information may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements.

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 the beliefs of management and reflect management's current plans, expectations, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A.

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 items that management believes are not reflective of the Company's underlying operating performance for the reporting period. 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 focused on revenue growth and productivity improvements, 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 labor 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 Variable Gross Profit to gross profit and Variable Gross Margin to 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 Excluding Acquisition and One-Time Charges to SG&A, 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. In the second fiscal quarter of 2022 (“**Q2 2022**”), the Company filed amended and restated audited annual financial statements for FY2021 and FY2020 as a result of a covenant breach under its since-retired senior credit facility with National Bank of Canada (“**National Bank**”), which resulted in a reclassification of \$36,631 in long-term debt into current liabilities. 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., through its wholly owned subsidiary Wells Fargo Capital Finance Corporation Canada (“**Wells Fargo**”), and retired all outstanding credit facility debt with National Bank.

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 concern¹.

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

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

good natured[®] carries on business across five business groups: General Merchandise, Packaging, Industrial, Commercial Supplies, and Services. *good natured*[®] offers consumers, business owners and operators plant-based alternatives to everyday petroleum-based products that are being used in homes and businesses. The Company's operations are located in the United States and Canada, with 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

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

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 and reduce the risk of reliance on a single segment. 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 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 closing 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 and 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 March 13, 2023, the Company disclosed agreements with Wells Fargo that made amendments to the Senior Credit Facility. The first agreement provided consent to an intercompany reorganization and waived compliance with a minimum EBITDA financial covenant for the four fiscal quarters ended December 31, 2022. The second agreement lowered the minimum EBITDA requirement for the four fiscal quarters ending March 31, 2023, June 30, 2023, September 30, 2023, and December 31, 2023, and increased the minimum liquidity requirement for the period commencing March 31, 2023 until December 31, 2024.
- On January 9, 2023, the Company announced the appointment of Kerry Biggs to the position of Chief Financial Officer, following an extensive search process initiated to address the planned retirement of the Company's prior CFO, Kevin Leong, who will be supporting an orderly transition of responsibilities in the role of Vice President, Finance and Accounting for the remainder of fiscal 2023.
- On December 13, 2022, the Company announced the appointment of Keith Spencer, an expert on technology, venture capital funding, and high-growth commercialization, including outsourcing, e-commerce and intellectual property law, to the *good natured*[®] board of directors. Subsequent to this announcement, Mr. Michael Thomson retired from the Company's board of directors.

For additional information please refer to the Company's Annual Information Form for the year ended December 31, 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 operated all of its North American facilities during the COVID-19 pandemic. The Company intends to continue to plan and reinforce any future government-mandated measures implemented to mitigate health risks to employees, business partners and communities where the Company operates and prevent disruptions. The measures taken during the COVID-19 pandemic 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 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 table summarizes certain financial data from the financial statements of the Company for FY2022, FY2021 and FY2020.

	2022	2021	2020
Revenue	\$ 100,966	\$ 61,132	\$ 16,713
Adjusted EBITDA ¹	\$ 2,959	\$ (68)	\$ (1,522)
Net loss	\$ (11,582)	\$ (12,695)	\$ (7,187)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.06)	\$ (0.06)

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

	2022	2021	2020
Assets	\$ 104,441	\$ 90,529	\$ 51,974
Liabilities	\$ 85,491	\$ 69,437	\$ 50,162
Asset to liability ratio	\$ 1.22	\$ 1.30	\$ 1.04
Cash and cash equivalents	\$ 11,860	\$ 10,655	\$ 8,114
Net working capital	\$ 9,954	\$ (16,013)	\$ 5,552

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

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

- the Company completed acquisitions in July 2022, May 2021, December 2020, and May 2020;
- the Company grew its active B2B customer base to over 1,600 as at December 31, 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;
- in Q3 2021, the Company commenced shipping commercial quantities to a large U.S. food producer, however shipment timing related to seasonality, and the rollout of new products from the food producer to its retail customers fluctuated from quarter to quarter; and
- beginning late in the three months ended September 30, 2022 (“**Q3 2022**”), and continuing through Q4 2022, gross revenue from third-party industrial customers declined, as management witnessed a general reduction in demand from the Company’s industrial thermoforming customers linked to softening macroeconomic conditions as customers worked through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters.

Over the last three fiscal years, the Company’s net loss ranged from \$7,187 to \$12,695. Factors that affected changes in net loss included, but were not limited to:

- the Company completed acquisitions in July 2022, May 2021, December 2020, and May 2020, resulting in increased quarterly gross profit contributions;
- additional headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions resulted in increased selling, general, and administrative costs;
- increase in share-based compensation due to overall headcount increases from acquisitions, new hires, and an increase in share-based compensation for executives;
- the physical and intangible assets associated with the acquisitions led to increased depreciation and amortization costs;
- fluctuations in foreign exchange (“**FX**”) rates, resulting in non-cash foreign exchange gains or losses;
- fluctuations in interest rates, resulting in changes to interest costs associated with variable rate debt;
- acquisition-related activity and one-time charges have fluctuated based on the number and size of acquisitions completed in any fiscal year;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and

acquisitions over the past three fiscal years. This has resulted in increased financing costs;

- in FY2021, external supply chain and inflationary cost increases resulted in higher costs associated with logistics and fulfillment. In addition, the Company made the strategic decision to build inventory in anticipation of supply chain disruptions, which increased warehousing costs; and
- in the fourth fiscal quarter of 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;
- in Q3 2022, the Company secured the Senior Credit Facility with Wells Fargo and closed a Mortgage Refinancing with BDC, the proceeds of which were used to retire all outstanding credit facility debt with National Bank. The financing resulted in the payment of cash interest penalties, transaction and legal costs and the non-cash write-down of deferred financing costs; and

Additional details regarding these factors can be found in the Company's audited consolidated annual financial statements and related notes for FY2022, FY2021, and FY2020.

Selected Financial & Operational Highlights

The following are selected financial and operational highlights for the three and twelve months ended December 31, 2022:

- Achieved record annual revenue of \$100,966 for FY2022 as compared to \$61,132 in FY2021, an increase of 65%.
- Quarterly revenue of \$23,306 for Q4 2022 as compared to \$22,860 for the three months ended December 31, 2021 ("**Q4 2021**"), an increase of 2%.
- Generated VGM of 33% for Q4 2022 and FY2022 compared to 31% and 32% for Q4 2021 and FY2021.
- Gross margin was 25% and 26% for Q4 2022 and FY2022 compared to 23% and 26% for Q4 2021 and FY2021.
- Adjusted EBITDA for Q4 2022 and FY2022 was \$5 and \$2,959, representing the Company's first ever positive Adjusted EBITDA

performance on an annual basis compared to Adjusted EBITDA of \$540 and a loss of \$68 for Q4 2021 and FY2021.

- Cash generated (used) by operating activities for FY2022 was \$4,565 compared to (\$13,661) for FY2021, representing the first time the Company has generated positive cash flow from operations on an annual basis.
- The Company recorded a net loss of \$4,912 and \$11,582 in Q4 2022 and FY2022 compared to a net loss of \$4,175 and \$12,695 in Q4 2021 and FY2021.
- As a percent of revenue, SG&A was 21% and 18% for Q4 2022 and FY2022 compared to 18% and 21% for Q4 2021 and FY2021.
- Fulfillment and logistics as a percent of revenues was 10% and 9% for Q4 2022 and FY2022 compared to 8% and 10% for Q4 2021 and FY2021.
- Assets increased to \$104,441 as at December 31, 2022, compared to \$90,529 as at December 31, 2021, an increase of 15%.
- The Company's asset-to-liability ratio was 1.22 as at December 31, 2022, compared to 1.30 as at December 31, 2021.
- Cash and cash equivalents equaled \$11,860 as at December 31, 2022, compared to \$10,655 as at December 31, 2021.
- Net working capital (deficit) improved to \$9,954 as at December 31, 2022, compared to \$(16,013) as at December 31, 2021. Net Working Capital Excluding Current Portion of Long-Term Debt was \$16,547 as at December 31, 2022, compared to \$23,668 as at December 31, 2021.

Key Acquisitions

In the last eight fiscal quarters, the Company made the following acquisition(s):

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 finance the acquisition and pay related integration costs.

On May 28, 2021, the Company completed the acquisition of all operating assets of Ex-Tech Plastics Inc. (“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 operations

As noted above, the Company completed its acquisition of Ex-Tech in May 2021. This 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 Dec 31			Year ended Dec 31		
	2022	2021	+/-	2022	2021	+/-
Revenue	23,306	22,860	2%	100,966	61,132	65%
Variable cost of product	15,652	15,880	-1%	67,744	41,462	63%
Variable Gross Profit ¹	7,654	6,980	10%	33,222	19,670	69%
Variable Gross Margin %	32.8%	30.5%		32.9%	32.2%	
Fixed factory overhead	1,846	1,650	12%	6,900	4,033	71%
Gross profit	5,808	5,330	9%	26,322	15,637	68%
Gross margin %	24.9%	23.3%		26.1%	25.6%	
Fulfilment & logistics	2,225	1,849	20%	9,317	6,382	46%
Selling, general & administrative, excluding acquisition costs and one time charges ¹	4,020	3,225	25%	15,708	10,249	53%
Share-based compensation	594	498	19%	2,150	2,254	-5%
Depreciation	514	253	103%	1,950	1,071	82%
Financing costs	1,863	1,618	15%	5,550	4,552	22%
Foreign exchange gain (loss)	695	262	165%	847	315	169%
Loss on financing	-	936	-100%	449	1,148	-61%
Gain on interest free loan	-	(42)	-100%	(15)	(85)	-82%
Acquisition related expenses & one time charges	863	886	-3%	2,164	2,572	-16%
Deferred income taxes recovery	(54)	20	-370%	(216)	(126)	71%
Net loss for the period	(4,912)	(4,175)	18%	(11,582)	(12,695)	-9%
Adjusted EBITDA ¹	5	540	-99%	2,959	(68)	-4451%

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

Revenue

Revenue for FY2022 increased 65% to \$100,966 as compared to \$61,132 in FY2021. The Company estimates that revenue from acquisitions in FY2022 was \$16,675. Organic revenue growth for FY2022 is estimated at 36%, compared to an estimated 45% in FY2021, and an estimated 22% in FY2020. Revenue from acquisitions is estimated to have contributed 43% of the overall change in revenue for FY2022, with organic revenue having contributed the remaining 57%.

The growth in revenue in FY2022 was due to strong organic growth in the Company's Packaging business group with new customer additions, including the National U.S. food producer originally announced in October 2021, increases in average selling price, and contribution from the FormTex acquisition completed in July 2022. Increases in Industrial average selling prices and contribution from the Ex-Tech acquisition completed in May 2021 also contributed to revenue growth in FY2022, offset partially by a reduction in gross revenue from third-party Industrial thermoforming customers which began in late Q3 2022 and continued through Q4 2022.

Revenue for Q4 2022 increased 2% to \$23,306 as compared to \$22,860 for Q4 2021. The year-over-year change in revenue in Q4 2022 was driven by strong organic growth in the Company's Packaging business group, with increases in average selling prices and contribution from the FormTex acquisition completed in July 2022, which was offset by a reduction in gross revenue from third-party Industrial thermoforming customers. This general reduction in demand from the Company's Industrial customers is believed to be due to softening macro-economic conditions leading to lower order volumes as these customers continue to work through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters.

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 Dec 31		Year Ended Dec 31	
	2022	2021	2022	2021
Revenue	23,306	22,860	100,966	61,132
Industrial	54%	79%	66%	77%
Packaging	42%	19%	31%	20%
General Merchandise	2%	1%	1%	2%
Commercial Supplies	0%	0%	0%	0%
Service / Other	2%	1%	2%	1%
Revenue to US	86%	73%	87%	80%
Revenue to CAD	14%	27%	13%	20%

For FY2022, revenue for the Industrial business group grew by 41% or \$19,578. The increase in Industrial revenue for FY2022 compared to FY2021 was driven by the completion of the Ex-Tech acquisition in May 2021 and an increase in average selling price, partially offset by the factors noted for Q4 2022 and Q3 2022. For Q4 2022, revenue for the Industrial business group declined by 30%, or \$5,300 in comparison to Q4 2021. The change in Industrial revenue in Q4 2022 compared to Q4 2021 was driven by a reduction of third-party volume, through a mixture of decreased demand, holiday shutdowns not taken in the year prior and high levels of customer inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters. This was offset slightly by an increase in average selling prices.

The Industrial business group contributed 54% and 66% of total revenue for Q4 2022 and FY2022, compared to 79% and 77% for Q4 2021 and FY2021. The decrease in Industrial business group revenue mix in Q4 2022 and FY2022, compared to Q4 2021 and FY2021, was driven by the factors noted for Q4 2022 and Q3 2022. In addition, Q3 2022 and Q4 2022 Packaging revenues required a higher level of rollstock production capacity utilization for internal requirements, which offset some of the softening capacity requirement from industrial thermoforming customers as described above.

For FY2022, revenue for the Packaging business group grew by 152% or \$18,635. Packaging revenue for Q4 2022 grew by 124% or \$5,453 in comparison to Q4 2021. Packaging revenue growth was driven by the addition of new customers, increases in average selling price, the addition of a large U.S. food producer originally announced in October 2021, and the acquisition of FormTex in July 2022. The Packaging business group contributed 42% and 31% of total revenue for Q4 2022 and FY2022, compared to 19% and 20% for Q4 2021 and FY2021, respectively.

Customer Revenue Mix

	3 mon. ended Dec 31		Year ended Dec 31	
	2022	2021	2022	2021
Revenues from Top 4 Customers	27%	25%	24%	22%

As at December 31, 2022, the Company served over 1,600 active National, Regional, and Small B2B customers across Canada and the United States. The top 4 customers represented 27% and 24% of total revenues in Q4 2022 and FY 2022, compared to 25% and 22% in Q4 2021 and FY2021. The increase for both periods was primarily driven by the addition of a National U.S. food producer originally announced in October 2021.

Materials Revenue Mix

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

The relative percentages will vary from quarter to quarter, year to year and by Business Group as the Corporation deploys its strategy to acquire businesses that may currently make products using petroleum materials, the associated timing of executing the conversion of these acquired businesses' products from petroleum to plant-based materials, and with fluctuations in average selling prices. As stated earlier, the Corporation aims to convert all acquired businesses' petroleum products to plant-based materials within approximately 18 months following the closing of the acquisition, subject to a number of supply chain and customer relationship factors. The reader should not expect 100% of the Corporation's revenue being generated from plant-based materials for so long as the Corporation is effectively executing its growth strategy to acquire businesses currently producing petroleum-based materials and subsequently

converting those businesses' operations to plant-based materials over a period of time.

The Corporation has completed four acquisitions of businesses that used petroleum materials. Packaging Business Group acquisitions include Shepherd in May 2020 and FormTex in July 2022. Industrial Business Group acquisitions include IPF in December 2020 and Ex-Tech in May 2021.

The transition to plant-based materials at Shepherd was near 100% completion on a revenue basis as at December 31, 2022, with one customer account remaining that is in the process of finalizing its global standard for plant-based materials. The transition to plant-based materials at FormTex is planned to begin in the first half of 2023 and has been delayed somewhat due to fluctuating pricing within the supply chain, as well as various customer certification requirements. Global supply chain disruptions and macro-economic conditions over the past eight fiscal quarters delayed the transition to plant-based materials at IPF and Ex-Tech beyond the targeted 18-month timeframe. Despite this delay at IPF and Ex-Tech, strong organic growth in plant-based Packaging Business Group revenue lead to an approximate 60% year-over-year increase in pounds of plant-based material being processed at the IPF and Ex-tech facilities that was subsequently used within the Corporation's owned and outsourced thermoforming facilities.

In 2022, the year-over-year decline in the percentage of plant-based revenue was a function of a full year contribution from the Ex-Tech acquisition, higher petroleum-based Industrial average selling prices in the first three quarters of the fiscal year that more than offset the decrease in petroleum material volumes, and six months of contribution from the FormTex acquisition, not fully offset by strong organic growth in plant-based Packaging Business Group revenue.

	2022	2021
Revenues		
Plant-based materials	36%	41%
Petroleum materials	64%	59%
Business Groups	Plant-based	Plant-based
Packaging	80%	98%
General Merchandise	100%	100%
Industrial	13%	23%
Commercial Business Supplies	100%	100%
Services	N/A	N/A

Variable Gross Margin & Variable Gross Profit

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

	3 mon. ended Dec 31			Year ended Dec 31		
	2022	2021	+/-	2022	2021	+/-
Revenue	23,306	22,860	2%	100,966	61,132	65%
Variable cost of product	15,652	15,880	-1%	67,744	41,462	63%
Variable Gross Profit ¹	7,654	6,980	10%	33,222	19,670	69%
Variable Gross Margin %	32.8%	30.5%		32.9%	32.2%	
Fixed factory overhead	1,846	1,650	12%	6,900	4,033	71%
Gross profit	5,808	5,330	9%	26,322	15,637	68%
Gross margin %	24.9%	23.3%		26.1%	25.6%	

¹A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

Variable Gross Margin for Q4 2022 and FY2022 increased to 32.8% and 32.9% compared to 30.5% and 32.2% for Q4 2021 and FY2021 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 Q4 2022 and FY2022 was largely influenced by the following factors:

- a higher mix of revenues from the Packaging and Service business groups in Q4 2022 and FY2022 as compared to Q4 2021 and FY2022, primarily driven by the addition of new customers, increases in average selling price, the acquisition of FormTex, and lower Industrial business group revenue mix contribution;
- productivity improvements resulting from the rate of revenue growth in FY2022 exceeding the rate of growth in the variable cost of products, such as direct labor, as evidenced by the growth rate of Variable Gross Profit exceeding revenue growth. This was evident in Q4 2022 as the decline in variable cost of products exceeded the decline in revenue as compared to Q4 2021, resulting in an increase in Variable Gross Profit as compared to Q4 2021; and
- increases in average selling price in Q4 2022 and FY2022 compared to Q4 2021 and FY2022 more than offset the inflationary impact from higher input costs over the same period.

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

Gross Margin

Gross margin for Q4 2022 was 24.9% compared to 23.3% for Q4 2021. Gross margin for FY2022 was 26.1% compared to 25.6% FY2021. 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 change in gross margin in Q4 2022 and FY2022 was largely driven by the same factors that impacted Variable Gross Margin, as outlined above.

Fulfilment & Logistics

The following is a breakdown of the material components of fulfilment and logistics expenses in Q4 2022 and FY2022 compared to Q4 2021 and FY2021:

	3 mon. ended Dec 31			Year ended Dec 31		
	2022	2021	+/-	2022	2021	+/-
Outsource fee	73	109	-33%	1,267	1,269	0%
Fulfilment	1,630	1,333	22%	6,123	3,820	60%
Warehousing and other	522	407	28%	1,927	1,293	49%
Total Fulfilment & Logistics	2,225	1,849	20%	9,317	6,382	46%
Total Fulfilment & Logistics as a % of Revenue	10%	8%		9%	10%	

Fulfilment and logistics costs as a percentage of revenue for Q4 2022 and FY2022 were 10% and 9%, compared to 8% and 10% in Q4 2021 and FY2021. Fulfilment and logistics costs in Q4 2022 increased 20% or \$376 compared to Q4 2021 and increased 46% or \$2,935 for FY2022 compared to FY2021. The increase in fulfilment and logistics costs for Q4 2022 and FY2022 was driven by increased shipments volumes associated with revenue growth, external inflationary supply chain costs, increased warehousing costs, the FormTex acquisition, and increased movement of product between the Company's growing network of insourced and outsourced manufacturing locations.

Selling, General and Administrative

The following is a breakdown of the material components of SG&A expenses in Q4 2022 and FY2022 compared to Q4 2021 and FY2021, 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 Dec 31		+/-	Year ended Dec 31		+/-
	2022	2021		2022	2021	
SG&A Wages	2,468	1,517	63%	9,488	5,700	66%
SG&A Other	1,370	1,514	-10%	5,479	4,030	36%
Product Development expense	182	194	-6%	741	519	43%
Acquisition related expenses & one-time charges	863	886	-3%	2,164	2,572	-16%
SG&A	4,883	4,111	19%	17,872	12,821	39%
SG&A % of Revenue	21%	18%		18%	21%	
SG&A Excluding Acquisition Activity & One-Time Charges ¹	4,020	3,225	25%	15,708	10,249	53%
SG&A % of Revenue excluding acquisition related & one-time charges	17%	14%		16%	17%	
SG&A Wages % of Revenues	11%	7%		9%	9%	

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

SG&A expenses increased in FY2022 by 39% compared to FY2021, however, SG&A decreased as a percent of revenue to 18% for FY2022 compared to 21% for FY2021. The increase in SG&A expenses is due to the following factors:

- wages increased by 66% or \$3,788 as a result of growth in average wage rates, the acquisition of FormTex, increased people development costs, and initiatives to strengthen administrative and compliance functions; and
- “SG&A other” increased by 36% or \$1,449, largely as a result of increases in, 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 FY2022 SG&A due to wages and “SG&A other” was partially offset by a 16% or \$408 decline in acquisition-related activity & one-time charges.

SG&A expenses increased in Q4 2022 by 19% compared to Q4 2021, while revenue increased by 2% compared to Q4 2021, resulting in an increase in overall

SG&A as a percent of revenue to 22% for Q4 2022 compared to 18% for Q4 2021. The increase in SG&A expenses is due to the following factor(s):

- wages increased by 63% or \$951 as a result of growth in average wage rates, the acquisition of FormTex, increased people development costs, and initiatives to strengthen administrative and compliance functions.

The increase in Q4 2021 SG&A due to wages was partially offset by a 10% or \$144 decline in “SG&A other”, largely as a result of the Company’s efforts reduce costs in areas such as accounting and audit fees, investor relations expenses, marketing & advertising, as well as general legal fees. In addition, acquisition-related activity & one-time charges declined by 3% or \$23.

Adjusted EBITDA

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

	3 mon. ended Dec 31			Year ended Dec 31		
	2022	2021	+/-	2022	2021	+/-
Net loss for the period	(4,912)	(4,175)	18%	(11,582)	(12,695)	-9%
Share-based compensation	594	498	19%	2,150	2,254	-5%
Depreciation	514	253	103%	1,950	1,071	82%
Depreciation in COGS & SG&A	442	284	56%	1,662	926	79%
Financing costs	1,863	1,618	15%	5,550	4,552	22%
Foreign exchange loss (gain)	695	262	165%	847	315	169%
Gain on WINN Loan	-	(42)	-100%	(15)	(85)	-82%
Loss on financing	-	936	-100%	449	1,148	-61%
Acquisition related expenses & one time charges	863	886	-3%	2,164	2,572	-16%
Deferred income taxes recovery	(54)	20	-370%	(216)	(126)	71%
Adjusted EBITDA ¹	5	540	-99%	2,959	(68)	-4451%

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

For FY2022, the Company recorded Adjusted EBITDA of \$2,959 compared to an Adjusted EBITDA loss of \$68 for FY2021. Adjusted EBITDA as a percent of revenue was 3% compared to 0% in FY2021. The increase of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue was primarily driven by the following factors:

- overall revenue grew by \$39,834 or 65% compared to FY2021, and Variable Gross Profit increased by \$13,552 or 69% compared to FY2021;

- the increase in gross profit contribution of \$10,685 exceeded the growth in SG&A expenditures (excluding non-cash items) and fulfilment and logistics costs;
- SG&A as a percent of revenues declined to 18% in FY2022 from 21% in FY2021, allowing for greater contribution for non-operating/one-time costs.

For Q4 2022, the Company recorded Adjusted EBITDA of \$5 compared to \$540 for Q4 2021. Adjusted EBITDA as a percent of revenue was 0% compared to 2% in Q4 2021. The decrease of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue was primarily driven by the following factors:

- overall revenue improved by \$446 or 2% compared to Q4 2021 and variable cost of goods sold declined by \$228 or 1%, resulting in a \$674 or 10% increase in Variable Gross Profit compared to Q4 2021; and
- growth in SG&A expenditures (excluding non-cash items) and fulfilment and logistics costs exceeded the increase in gross profit contribution of \$478.

Net Loss

For FY2022, the Company incurred a net loss of \$11,582 or \$0.05 per common share compared to a net loss of \$12,695 or \$0.06 per Common Share in FY2021. In addition to factors already outlined above in the Adjusted EBITDA section, the change in net loss in FY2022 was primarily driven by the following factors:

- \$1,690 in additional depreciation costs associated with the acquisitions of Ex-Tech and FormTex, the purchase of the Company's Ayr, Ontario facility and new high-speed equipment;
- \$998 in additional financing costs associated with increased interest costs of variable rate debt and higher debt levels primarily associated with the purchase of the Company's Ayr, Ontario facility; and
- a \$699 decline in losses associated with debt repayment and conversion.

For Q4 2022, the Company incurred a net loss of \$4,912 or \$0.02 per Common Share compared to a net loss of \$4,175 or \$0.02 per Common Share in Q4 2021. In addition to factors already outlined above in the Adjusted EBITDA section, the change in net loss in Q4 2022 was driven by the following factors:

- \$438 in additional depreciation costs associated with the acquisitions of FormTex and the purchase of the Company's Ayr, Ontario facility and new high speed equipment;
- \$245 in additional financing costs associated with increased interest costs of variable rate debt and higher debt levels primarily associated with the purchase of the Company's Ayr, Ontario facility; and
- a \$936 decline in losses associated with debt repayment and conversion.

Financing Activity and Use of Proceeds

On October 3, 2022, the Company closed the purchase of the land and buildings of its Ayr, Ontario facility for cash consideration of approximately \$9.6 million (the "**Ayr Purchase**"), 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 second tranche of the credit facility with BDC that was previously announced on August 24, 2022.

On August 26, 2022, the Company announced it completed the Senior Credit Facility with Wells Fargo, 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.

On August 26, 2022, the Company announced it closed the Mortgage Refinancing with BDC for proceeds of \$6.6 million. 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. BDC also made an additional \$3.9 million available as funding toward future capital projects.

On June 1, 2022, the Company announced the closing of a Special Warrant Offering. 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 and for general working capital requirements.

On October 28, 2021, the Company 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.

As noted previously, on August 26, 2022, all outstanding credit facility debt with National Bank was retired and new facilities were arranged.

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

<u>Intended Use of Net Proceeds⁽¹⁾</u>	<u>Proposed Amount of Net Proceeds</u>	<u>Actual Use of Net Proceeds as of Dec 31, 2022</u>	<u>Remaining to be Spent</u>
On October 3, 2022, the Company closed the purchase of the land and building at its Ayr, Ontario facility for cash consideration of approximately \$9.4 million, which was funded by a \$6.5 million non-revolving loan facility from HSBC with a 5-year term and \$2.9 million from the available \$3.9 million second tranche of the credit facility with BDC.			
Purchase of Ayr, Ontario facility and working capital	\$10,507	\$10,507	\$0
On August 26, 2022, the Company 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.			
Debt retirement, working capital, mortgage refinancing and growth initiatives ⁽²⁾	\$23,238	\$21,549	\$1,689
Special Warrant Offering for net proceeds \$6,093 on June 1 st 2022. The net proceeds were used to complete the acquisition of FormTex.			
Acquisition of FormTex	\$5,933	\$5,933	\$0
Convertible debenture offering of \$16,228 and closing of a senior credit facility with National Bank completed on October 28, 2021.			
Debt refinancing ⁽²⁾	\$34,552	\$31,087	\$3,465
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	\$3,485

(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 to 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		Dec. 2022		Sep. 2022		Jun. 2022		Mar. 2022
Revenues	\$	23,306	\$	26,178	\$	25,546	\$	25,936
Adjusted EBITDA ¹	\$	5	\$	792	\$	1,005	\$	1,157
Net income (loss)	\$	(4,912)	\$	(2,066)	\$	(3,012)	\$	(1,592)
Basic and diluted loss per common share	\$	(0.02)	\$	(0.01)	\$	(0.01)	\$	(0.01)
Three months ended		Dec. 2021		Sep. 2021		Jun. 2021		Mar. 2021
Revenues	\$	22,860	\$	18,001	\$	12,371	\$	7,900
Adjusted EBITDA ¹	\$	540	\$	(588)	\$	(175)	\$	155
Net income (loss)	\$	(4,175)	\$	(2,919)	\$	(3,698)	\$	(1,903)
Basic and diluted loss per common share	\$	(0.02)	\$	(0.01)	\$	(0.02)	\$	(0.01)

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

Over the last eight quarters, the Company's quarter-over-quarter revenue growth has ranged from -11% to 57%. Factors that affected quarter-over-quarter revenue growth include, but are not limited to:

- the Company completed acquisitions in July 2022, May 2021, and December 2020;
- the Company grew its active B2B customer base to over 1,600 as at December 31, 2022;
- 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;
- in Q3 2021, the Company commenced shipping commercial quantities to a large U.S. food producer, however shipment timing related to seasonality, and the rollout of new products from the food producer to its retail customers fluctuated from quarter to quarter; and
- beginning late in Q3 2022 and continuing through Q4 2022, gross revenue from third-party industrial customers declined on a quarter-over-quarter basis, as management witnessed a general reduction in demand from the Company's Industrial thermoforming customers linked to softening

macroeconomic conditions as customers worked through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters.

Over the last eight quarters, the Company's net loss ranged from \$1,592 to \$4,912. Factors that affected changes in net loss included, but were not limited to:

- the Company completed acquisitions in July 2022, 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 SG&A costs;
- increases in share-based compensation due to overall headcount increases from acquisitions, new hires, and an increase in share-based compensation for executives;
- increased depreciation and amortization costs associated with the physical and intangible assets added through acquisitions;
- quarter to quarter fluctuations in FX rates, resulting in non-cash foreign exchange gains or losses;
- 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;
- quarter to quarter fluctuations in interest rates, resulting in changes to interest costs associated with variable rate debt;
- beginning in the first quarter of 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;
- in the fourth fiscal quarter of 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;

- in Q3 2022, the Company secured the Senior Credit Facility with Wells Fargo and closed a Mortgage Refinancing with BDC, the proceeds of which were used to retire all outstanding credit facility debt with National Bank. The financing resulted in the payment of cash interest penalties, transaction and legal costs and the non-cash write-down of deferred financing costs; and
- In Q4 2022, the Company closed the acquisition of the land and buildings at its Ayr, Ontario facility, adding approximately \$9,400 to debt outstanding.

Additional details regarding these factors can be found in the Company's Amended and Restated MD&A for FY2021, and the interim MD&A for the first, second and third quarters of 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

As at December 31, 2022, the Company had cash of \$11,860, net working capital of \$9,954, and \$61,913 of total debt, of which \$6,593 is classified as current. The Company generated positive cash flow from operations in addition to financing activities in FY2022. See "Cash Flows" section for further details.

On August 26, 2022 the Company successfully secured the Senior Credit Facility with Wells Fargo. At December 31, 2022 the amount due on the facility was \$13,854 from this facility (see "Financing Activity and Use of Proceeds" section for further details). As of December 31, 2022, the Company was in compliance with all associated covenants.

On June 1, 2022, the Company closed the Special Warrant Offering for gross proceeds of \$6,561. 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. See “Financing Activity and Use of Proceeds” section for further details.

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 FY2022 compared to FY2021:

	Year ended Dec 31		+/-	+/-
	2022	2021	\$	%
Cash used in operating activities	4,565	(13,661)	18,197	-133%
Cash provided by financing activities	16,463	36,387	(19,924)	-55%
Cash used in investing activities	(20,522)	(20,251)	(242)	1%
Effect of foreign exchange rate changes on cash	699	66	633	959%
Net change in cash	1,205	2,541	(1,336)	-53%
Beginning cash	10,655	8,114	2,541	31%
Ending Cash	11,860	10,655	1,205	11%

Cash generated (used) by operating activities for FY2022 was \$4,565 compared to (\$13,661) for FY2021. The operating cash generated for FY2022 was driven by an increase in non-cash working capital, which was primarily due to decreases in accounts receivable of \$5,102 and inventory of \$4,170, partly offset by a decrease in accounts payable of \$561 and finance costs paid of \$4,371. The improvement in FY2022 operating cash flow was also a result of the increase in gross profit contribution, in addition to the decrease in SG&A as a percentage of revenue. In FY2021, cash used in operating activities was primarily driven by increases in inventory of \$7,302 and accounts receivable of \$3,304 and finance costs paid of \$3,990, partly offset by an increase in accounts payable of \$3,678.

Cash provided by financing activities in FY2022 was \$16,463 compared to \$36,387 in FY2021. In FY2021, the Company received net proceeds of \$23,370 from issuing shares and \$16,228 from the Convertible Debenture financing, whereas in FY2022, the Company received net proceeds of \$5,832 from issuing shares and \$10,507 from BDC and HSBC, with \$9,623 used to fund the Ayr Purchase and the remainder for general corporate functions.

Cash used by investing activities in FY2022 was \$20,522 compared to \$20,251 in FY2021. In FY2022, the Company invested \$5,440 in high-speed manufacturing equipment, \$5,304 for the acquisition of FormTex, and \$9,623 for the Ayr Purchase. In FY2021, the Company acquired Ex-Tech for \$15,470 in addition to investing in high-speed manufacturing equipment totaling \$4,264.

capital resources

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

Below is a summary of the Company's FY2022 and FY2021 net working capital:

	Dec-22	Dec-21
Cash	11,860	10,655
Accounts Receivable	9,360	13,689
Inventory	12,663	16,036
Prepays	929	987
Accounts Payable	18,265	17,699
Current portion Long-term Debt	6,593	39,681
Net Working Capital	9,954	(16,013)
Net Working Capital excluding current portion of long term debt ¹	16,547	23,668

	Dec-22	Dec-21
Raw Materials	7,548	11,817
Finished Goods	5,115	4,219
Inventory	12,663	16,036

¹ A non-IFRS measure. Refer to the non-IFRS financial measures section of this MD&A for an explanation of these measures.

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.

The change in net working capital from FY2022 to FY2021 is due primarily to:

- the refinancing of the Company's debt with National Bank with the Senior Credit Facility with Wells Fargo, on August 26, 2022. As a result 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. The proceeds were subsequently used in the acquisition of FormTex and for general working capital requirements; and
- improvement in non-cash net working capital management, specifically decreases in accounts receivable and inventory.

As at December 31, 2022, the Company had no commitments for significant capital expenditures.

outlook

Growing consumer demand for sustainable products, increasing regulatory policy, and continued reshoring of manufacturing are strong macroeconomic trends that management believes support the Company's objective for continued organic and acquisition growth.

The Company anticipates operating conditions will remain challenging and may continue to be volatile due to macroeconomic, geo-political and supply chain conditions. Management continues to prioritize servicing its existing customers, while seeking to acquire new customers that are interested in switching to sustainable products. The Company anticipates demand for sustainable products and staple goods to be resilient, however spending habits and demand levels for products could shift as 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 in the coming quarters.

The Company is closely monitoring and collaborating with customers and suppliers on supply chain activity, and management has seen supply chain availability improvements following the build-up of inventory levels amongst the Company's Industrial thermoforming customers over the first fiscal quarter of 2022 ("**Q1 2022**"), Q2 2022 and the first half of Q3 2022 to minimize supply chain disruptions experienced in 2021. This build-up of inventory, when combined with rapid interest rate increases in 2022, has resulted in reduced demand levels for Industrial products beginning late in Q3 2022 and through Q4 2022, which is anticipated to continue to negatively impact Industrial business group revenues in 2023.

Management has seen some input costs decline in late 2022 and early 2023, as a result of a reduction in ocean transportation costs. If inflationary pressures abate through the course of 2023, the Company may benefit from lower input costs that would increase Variable Gross Margin. The diminishment of inflation pressures and lower input costs may lead to decreases in average selling prices, which would negatively impact year-over-year revenue comparisons, assuming static volumes. The Company expects that the uncertain and changing macroeconomic backdrop will continue to lead to some volatility in underlying fundamentals over the next few quarters.

In response to this macroeconomic volatility, the Company is keenly focused on servicing its customers, cash management, managing input and operating costs, and improving productivity to reduce working capital requirements. The Company is focused on productivity improvements in an effort to self-fund its operations, and portions of its strategic growth initiatives, given the current state of the financial markets and economic conditions.

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 business groups and market segments may change the Company's margin profile. This may contribute to short-term variation in Variable Gross Margin and gross margin in each financial reporting period that may not be indicative of longer-term trends and the successful execution of the business model.

In 2023, the Company is focused on its revenue and gross margin mix model to increase the percentage of revenue contribution from its Packaging business group by leveraging its Industrial business acquisitions and executing on its organic growth initiatives to augment its thermoformed packaging capability.

off-balance sheet arrangements

As at December 31, 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 FY2022 compared to FY2021:

	Year ended December 31,	
	2022	2021
Salaries, management, consulting and directors' fees	\$ 1,961	\$ 1,346
Share based payments(i)	\$ 1,013	1,193
	\$ 2,974	\$ 2,539

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

As at December 31, 2022, \$105 (December 31, 2021 - \$233) was due to directors and officers of the Company for accrued bonus, management, consulting and director fees, as well as expense reimbursements.

fourth quarter

An overview of the Company's Q4 2022 operating results can be found above under the "Discussion of Operations" section.

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 December 31 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 believes 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, labor, 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 December 31, 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 2022 and no significant accounting policies were adopted during the period.

financial instruments

The Company's financial instruments as at December 31, 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. As at December 31, 2022, trade and other receivables total \$9,360 (December 31, 2021, \$13,689). There is allowance for doubtful accounts of \$20 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:

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	241,707,412	N/A-
Options	9,545,479	9,545,479
Other equity incentive compensation	6,360,810	6,360,810
Warrants	10,320,149	10,320,149
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		289,924,976

risk factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2022, which is available on the Company's SEDAR profile at www.sedar.com.

controls and procedures

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the 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 Annual Information Form for the year ended December 31, 2022, is available on SEDAR at www.sedar.com as well as on the Company's investor website at investor.goodnatureproducts.com.