

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

## **GOOD NATURED PRODUCTS INC.**

Three and nine months ended September 30, 2023 and 2022

## **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 months ended September 30, 2023 and 2022 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 2023	31-Dec 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,120	\$ 11,860
Trade and other receivables	10,763	9,360
Inventory (note 3)	11,855	12,663
Prepaid expenses	848	929
	<u>34,586</u>	<u>34,812</u>
Non-current assets:		
Property and equipment (note 5)	44,848	44,692
Right-of-use assets (note 6)	4,172	5,001
Customer relationships (note 7)	5,978	6,447
Intangible and other assets (note 7)	4,602	4,523
Goodwill (note 7)	8,963	8,966
	<u>\$ 103,149</u>	<u>\$ 104,441</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,730	\$ 18,265
Current portion of long-term debt (note 9)	5,990	6,593
	<u>27,720</u>	<u>24,858</u>
Non-Current liabilities:		
Convertible debentures	16,541	16,079
Mortgages	19,524	19,938
Credit Facility	13,816	13,854
Lease Liability	1,628	2,239
Other long-term debt (note 8)	3,541	3,210
Contingent consideration liability	2,146	2,035
Deferred income tax liabilities	2,903	3,278
	<u>60,099</u>	<u>60,633</u>
Shareholders' Equity:		
Common share capital	67,201	63,446
Contributed surplus	9,739	7,563
Foreign currency translation reserve	2,061	2,269
Deficit	(63,671)	(54,328)
	<u>15,330</u>	<u>18,950</u>
Total Liabilities and Shareholders' Equity	<u>\$ 103,149</u>	<u>\$ 104,441</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Tami Kozikowski" Director

"Keith Spencer" 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	
	2023	2022	2023	2022
Product revenue	\$ 19,397	\$ 26,178	\$ 57,994	\$ 77,660
Cost of product revenue (note 12)	(14,214)	(19,046)	(42,544)	(57,146)
Gross margin	5,183	7,132	15,450	20,514
Other (Expenses) Income:				
Selling, general, and administrative (note 13)	(3,411)	(4,583)	(10,972)	(12,989)
Fulfillment and logistics	(1,669)	(2,595)	(5,286)	(7,092)
Share-based compensation (note 10(b,d))	(675)	(381)	(1,472)	(1,556)
Depreciation and amortization	(503)	(465)	(1,743)	(1,436)
Financing costs	(2,121)	(1,394)	(5,716)	(3,687)
Foreign exchange loss	(169)	611	(21)	(152)
Loss on debt repayment and conversion	-	(445)	-	(449)
Gain on interest free loan	-	-	42	15
Net loss before taxes	(3,320)	(2,120)	(9,718)	(6,832)
Deferred income tax recovery	125	54	375	162
Net loss for the period	(3,240)	(2,066)	(9,343)	(6,670)
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	\$ (417)	\$ 302	\$ (208)	\$ 1,114
Comprehensive loss for the period	(2,823)	(1,764)	(9,551)	(5,556)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average shares outstanding – basic and diluted	278,862	224,592	255,701	223,323

See accompanying notes to unaudited condensed consolidated interim financial statements.

# GOOD NATURED PRODUCTS INC

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(In thousands)

	Number of common shares	Common share capital	Contributed surplus- warrants and conversion features	Contributed surplus- stock options	Foreign currency translation reserve	Deficit	Equity
Balance at December 31, 2021	220,683	\$ 57,083	\$ 3,310	\$ 2,573	\$ 872	\$ (42,746)	\$ 21,092
Issuance of Special Warrants, net (note 10(a))	-	-	5,933	-	-	-	5,933
Shares issued upon warrant exercise	1,989	323	(68)	-	-	-	252
Shares issued upon debenture conversion (note 10(a))	217	50	(3)	-	-	-	47
Shares issued upon option exercise (note 10(a))	246	47	-	(13)	-	-	34
Share based compensation (note 10(b,d))	-	-	-	1,556	-	-	1,556
Vested RSU & PSU incentive issuance (note 10(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
Issuance of Special Warrants, net (note 10(a))	16,403	4,802	(4,975)	-	-	-	(173)
Shares issued upon option exercise (note 10(a))	56	13	-	(7)	-	-	6
Share based compensation (note 10(b,d))	-	-	-	594	-	-	594
Vested RSU & PSU incentive issuance (note 10(d))	2,042	1,079	-	(1,285)	-	-	(206)
Net comprehensive loss	-	-	-	-	283	(4,912)	(4,629)
Balance at December 31, 2022	241,707	\$ 63,446	\$ 4,197	\$ 3,366	\$ 2,269	\$ (54,328)	\$ 18,950
Issuance of common share, net (note 10(a))	35,714	3,500	944	-	-	-	4,444
Shares issued upon option exercise	100	15	-	-	-	-	15
Vested RSU & PSU incentive issuance (note 10(d))	1,493	240	-	(240)	-	-	-
Share based compensation (note 10(b,d))	-	-	-	1,472	-	-	1,472
Net comprehensive loss	-	-	-	-	(208)	(9,343)	(9,551)
Balance at September 30, 2023	279,014	\$ 67,201	\$ 5,141	\$ 4,598	\$ 2,061	\$ (63,671)	\$ 15,330

See accompanying notes to unaudited condensed consolidated interim financial statements.

# GOOD NATURED PRODUCTS INC.

## Consolidated Statements of Cash Flow

(In thousands)

	Nine months ended Sep. 30	
	2023	2022
Cash provided by (used in):		
Operations:		
Net loss	\$ (9,343)	\$ (6,670)
Items not involving cash:		
Depreciation and amortization	2,548	2,017
Unrealized foreign exchange (gain) loss	(163)	(201)
Amortization of right of use assets	772	494
Share based compensation	1,472	1,556
Loss on debt repayment and conversion	-	449
Gain on interest free loan	(42)	(15)
Gain on equipment disposal	-	(63)
Financing costs	5,716	3,687
Deferred income tax	(375)	(162)
	585	1,092
Changes in non-cash operating working capital:		
Trade and other receivables	(1,403)	(1,581)
Inventory	808	(430)
Prepaid expenses	81	(300)
Accounts payable and accrued liabilities	3,465	4,582
	2,951	2,271
Finance costs paid	(4,912)	(2,841)
Cash (used) provided by operating activities	(1,376)	522
Financing:		
Issuance of common shares and Special Warrants, net of issuance costs (note 10(a))	4,444	5,933
Exercise of warrants for common shares	-	252
Exercise of options for common shares	15	34
Proceeds from long-term debt, net of issuance costs	4,740	24,327
Repayment of long-term debt	(6,200)	(21,966)
Proceeds from equipment sale leaseback	-	1,431
Cash provided by financing activities	2,999	10,011
Investments:		
Business acquisition (note 4)	-	(5,338)
Proceeds on equipment disposal	-	109
Purchase of equipment	(2,131)	(5,134)
Purchase of other assets	(213)	(291)
Cash used in investing activities	(2,344)	(10,654)
Effect of foreign exchange rate changes on cash	(19)	808
(Decrease) Increase in cash	(740)	687
Cash and cash equivalents, beginning of period	11,860	10,655
Cash and cash equivalents, end of period	11,120	11,342

Supplementary disclosure with respect to cash flows (note 15).

See accompanying notes to unaudited condensed consolidated interim financial statements.

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2023 and 2022  
(In thousands) (Unaudited)

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## 1. Nature of Operations:

good natured Products Inc. (the “Company”) is a Canadian company incorporated under the British Columbia Business Corporations Act. 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 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. The Company endeavors to convert the businesses’ petroleum-based products and customers to plant-based alternatives within approximately 18 months of the closing of the acquisition.

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2023 and 2022  
(In thousands) (Unaudited)

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## 2. Basis of presentation:

### (a) Statement of compliance:

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2022, 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 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, 2022.

These unaudited consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2023.

### (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.

### I Use of estimates, assumptions and judgments:

#### (i) Significant estimates and assumptions:

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. Significant areas having estimation uncertainty include the following:



# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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(In thousands) (Unaudited)

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## 2. Basis of presentation (continued):

(c) Use of estimates, assumptions, and judgments:

(i) Significant estimates (continued):

*Going concern:*

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to service its debt obligations, realize its assets and discharge its liabilities in the normal course as they come due.

The Company has financed its operating cash requirements primarily through revenues generated by its operations, debt facility, convertible debentures and equity raises. The Company's ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support of its shareholders, senior lender and the operational success at its operations. The Company has in place a planning, budgeting, and forecasting process to determine the funds required to support its operations and expansionary plans. As a result, after considering all relevant information, management has concluded that there are no material uncertainties related to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for at least the next year.

## 3. Inventory

	September 30 2023	December 31 2022
Raw materials	\$ 7,157	\$ 7,548
Finished goods	4,698	5,115
Total	\$ 11,855	\$ 12,663

During the three and nine months ended September 30, 2023, inventory valued at \$9,808 and \$29,983 was expensed as cost of goods sold and reflected within cost of product revenue (2022 - \$15,102 and \$46,070).

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 4. Acquisition

### *FormTex Plastics Corporation*

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 and an indebtedness holdback of approximately \$5,981 (or USD \$4,649).

The Indebtedness holdback of approximately \$677 (or USD \$500), included within accounts payable, bears no interest and is payable to the Vendor within 3 business days after the one-year anniversary of the acquisition date. The holdback was fully paid during the third quarter of 2023.

The following table summarizes the consideration paid to the former owners of FormTex as part of the purchase price followed by a summary of the preliminary allocation of the purchase price:

Cash	\$	5,304
Indebtedness Holdback		677
Total Purchase Price		\$ 5,981

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		1,083
Customer relationships		1,145
Intangibles and other assets		1,210
Goodwill		1,135
Current liabilities		(450)
Lease liabilities		(1,083)
Net assets acquired		\$ 5,981

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 expected synergies between FormTex and the Company’s existing operations including the ability to convert FormTex customers to the Company’s sustainable plastic offerings. 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.

Included in intangibles and other assets are Distribution list in the amount of \$592 and Proprietary formulas and formulations of \$618.

Financial and operating results of FormTex are included in the Company’s consolidated financial statements effective July 1, 2022. For the period of July 1, 2022 to December 31, 2022, FormTex revenues equaled \$3,867 with \$224 in net income before taxes.

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(In thousands) (Unaudited)

## 5. Property and equipment:

	Land	Building	Manufacturing Equipment	Other Equip.	Accumulated Depreciation	Total
Dec. 31, 2021	\$ 5,356	\$ 9,531	\$ 16,781	\$ 197	\$ (1,402)	\$ 30,463
Additions	3,025	6,669	5,481	6	(1,912)	13,269
Disposals	-	-	(243)	-	198	(45)
Foreign exchange	47	348	641	-	(31)	1,005
Dec. 31, 2022	\$ 8,428	\$ 16,548	\$ 22,660	\$ 203	\$ (3,147)	\$ 44,692
Additions	-	156	1,974	-	(1,950)	180
Foreign exchange	-	(8)	(17)	-	1	(24)
Sep. 30, 2023	\$ 8,428	\$ 16,696	\$ 24,617	\$ 203	\$ (5,096)	\$ 44,848

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 \$9,600 (the "Ayr Purchase"). The Ayr Purchase was funded by a \$6,500 non-revolving loan facility from HSBC Bank Canada ("HSBC") with a 5-year term and \$2,900 from the available \$3,900 credit facility with Business Development Bank of Canada ("BDC").

## 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.

	Cost	Accumulated amortization	Net Book Value
December 31, 2021	\$ 2,698	\$ (533)	\$ 2,165
Additions	3,438	(739)	2,699
Foreign exchange	151	(14)	137
December 31, 2022	\$ 6,287	\$ (1,286)	\$ 5,001
Additions	-	(772)	(772)
Disposals	(55)	-	(55)
Foreign exchange	(3)	1	(2)
September 30, 2023	\$ 6,229	\$ (2,057)	\$ 4,172

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2023 and 2022  
 (In thousands) (Unaudited)

## 7. Customer relationships, intangible and other assets, and goodwill

		Customer Lists	Accumulated Amortization	Net Book Value
December 31, 2021	\$	7,962	\$ (2,237)	\$ 5,725
Additions (note 4)		1,145	(523)	622
Foreign exchange		175	(75)	100
December 31, 2022	\$	9,282	\$ (2,835)	\$ 6,447
Additions		-	(466)	(466)
Foreign exchange		(3)	-	(3)
September 30, 2023	\$	9,279	\$ (3,116)	\$ 5,978

		Brand and Formulas	Other Assets	Accumulated Amortization	Net Book Value
December 31, 2021	\$	2,200	\$ 979	\$ (54)	\$ 3,125
Additions (note 4)		-	1,411	(145)	1,266
Foreign exchange		-	133	(1)	132
December 31, 2022	\$	2,200	\$ 2,523	\$ (200)	\$ 4,523
Additions		-	213	(132)	81
Foreign exchange		-	(2)	-	(2)
September 30, 2023	\$	2,200	\$ 2,665	\$ (285)	\$ 4,602

Other assets consist of capitalized development costs and other intangibles.

		Goodwill	Accumulated Impairment	Net Book Value
December 31, 2021	\$	7,684	\$ -	\$ 7,684
Additions (note 4)		1,135	-	1,135
Foreign exchange		147		147
December 31, 2022	\$	8,966	\$ -	\$ 8,966
Foreign exchange		(3)		(3)
September 30, 2023	\$	8,963	\$ -	\$ 8,963

Goodwill was generated through various acquisitions. For the purpose of impairment assessments goodwill is allocated to the corresponding plastics and packaging manufacturing and distribution cash generating units.

The Company performs goodwill impairment testing annually or at any time if an indicator of impairment exists. In determining the recoverable amount of its CGUs, the Entity uses the value in use, which is determined using a discounted cash flow model. As of December 31, 2022, no impairment charges were recorded during the years ended December 31, 2022 or 2021.

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2023 and 2022  
*(In thousands) (Unaudited)*

## 8. Other Long-term debt:

	Vendor Notes	WINN Loan	Equipment Loans	Other debt	Total
Dec. 31, 2021	\$ 4,334	\$ 1,328	\$ -	\$ 40	\$ 5,702
Proceeds, net	-	28	3,030	-	3,058
Repayment	-	(268)	(484)	-	(752)
Accretion / Loss	-	102	73	-	175
Foreign Exchange	-	-	161	-	161
Dec. 31, 2022	\$ 4,334	\$ 1,190	\$ 2,780	\$ 40	\$ 8,344
Proceeds, net	-	110	1,719	-	1,829
Repayment	(1,111)	(294)	(614)	-	(2,019)
Accretion/Loss	-	(8)	-	-	(8)
Foreign exchange	-	-	(1)	-	(1)
September 30, 2023	\$ 3,223	\$ 998	\$ 3,884	\$ 40	\$ 8,145
Less: Current portion	(2,723)	(438)	(1,403)	(40)	(4,604)
Non-current Other Debt	\$ 500	\$ 560	\$ 2,481	\$ -	\$ 3,541

## 9. Current Portion of Long-term debt:

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

	Convertible Debentures	Mortgages	Credit Facility	Lease Liability	Other Long- term debt	Total
2024	\$ -	\$ 543	\$ -	\$ 843	\$ 4,604	\$ 5,990
2025	1,315	548	-	937	2,317	5,117
2026	-	3,769	-	527	767	5,063
2027	17,250	420	14,584	164	509	32,927
2028 and beyond	-	14,787	-	-	114	14,901
	\$ 18,565	\$ 20,067	\$ 14,584	\$ 2,471	\$ 8,311	\$ 63,998

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2023 and 2022  
(In thousands) (Unaudited)

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## 10. 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, 2023, 279,014 common shares were issued and outstanding (December 31, 2022 – 241,707).

#### *Private Placement*

In June 2023, the Company completed a private placement of 35,714 units at a price of \$0.14 per unit for gross proceeds of \$5,000. Each unit is comprised of one common share and one common share warrant of the Company. Each warrant entitles its holder to acquire one share of the Company at a price of \$0.19 per share within the 30-month period following the closing of the private placement. Insiders of the Company subscribed for a total of 779 Units of the private placement for total gross proceeds of \$109.

The Company paid cash commission, legal and other related fees totaling \$556 and also granted 2,072 non-transferable 30-month compensation warrants to acquire 2,072 common shares of the Company at a price of \$0.14 per share. The fair value at grant date of the compensation warrants issued was \$86 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	4.5%
Dividend yield	0.0%
Expected life (years)	2.5
Volatility	54.7%
Forfeiture rate	0.0%
Common share price at grant date	\$0.1

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2023 and 2022  
(In thousands) (Unaudited)

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

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

#### *Special Warrants Offering*

In June 2022, the Company completed the offering of Special Warrants 16,403 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 Warrants representing 6.0% of the aggregate number of Special Warrants issued pursuant to the Offering. Each Compensation Warrant will be exercisable at a price of \$0.40 for one common share of the Company for 24 months from the closing date.

Pursuant to the terms of the Offering, each Special Warrant automatically converted, for no additional consideration and with no further action on the part of the holder thereof, into one unit of the Company "a Unit") on October 4, 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.

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

During the year ended December 31, 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.

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2023 and 2022  
*(In thousands) (Unaudited)*

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

### (b) Share options:

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

	Options	Weighted average exercise price
Outstanding at December 31, 2021	8,032	\$ 0.28
Issuance of options	1,155	0.66
Exercise of options	(302)	0.13
Forfeiture of options	(269)	0.82
Outstanding at December 31, 2022	8,616	\$ 0.30
Issuance of options	1,052	0.27
Exercise of options	(100)	0.15
Forfeiture of options	(302)	0.62
Outstanding at September 30, 2023	9,266	\$ 0.30
Exercisable at September 30, 2023	7,132	\$ 0.21

Range of exercise prices	Number outstanding	Number exercisable	Weighted average remaining life (in years)
\$0.10 to \$0.15	4,400	4,104	4.9
\$0.16 to \$0.20	2,048	2,048	2.0
\$0.21 to \$0.39	1,207	208	8.1
\$0.40 to \$1.29	1,611	772	4.9
	9,266	7,132	4.7



# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 10. Share capital and share-based payments (continued):

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

The weighted average fair value per option granted in the nine months ended September 30, 2023 was \$0.27 (year ended December 31, 2022 - \$0.65). 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, 2023	Year ended Dec. 31, 2022
Risk-free interest rate	3.7%	0.3 – 3.8%
Dividend yield	0.0%	0.0%
Expected life (years)	4.0	4.0
Volatility	77.2%	77.8%
Forfeiture rate	0.0%	0.0%
Common share price at grant date	\$0.2	\$0.4-\$0.6

### (c) Share purchase warrants:

	Warrants	Weighted average exercise price
Outstanding at December 31, 2021	4,193	\$ 0.50
Issuance of warrants upon conversion note (10(a))	8,201	0.52
Issuance of warrants to brokers note (10(a))	963	0.40
Exercise of warrants	(1,989)	0.19
Forfeiture of warrants	(1,048)	0.32
Outstanding at December 31, 2022	10,320	\$ 0.58
Issuance of warrants upon private placement (10(a))	35,714	0.19
Issuance of warrants to brokers (10(a))	2,072	0.14
Forfeiture of warrants	(1,156)	1.20
Outstanding at September 30, 2023	46,950	\$ 0.25

# GOOD NATURED PRODUCTS INC.

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

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

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining life (in years)
June 1, 2024 (note 10(a))	8,201	0.52	0.7
June 1, 2024 (note 10(a))	963	0.40	0.7
Dec 21, 2026 (note 10(a))	35,714	0.19	2.2
Dec 21, 2026 (note 10(a))	2,072	0.14	2.2
	46,950	\$ 0.25	1.9

### (d) Other equity incentives:

	RSUs	DSUs	PSUs	Total
December 31, 2021	2,996	128	493	3,617
Unit Issuance	2,647	-	2,667	5,314
Forfeiture	(543)	-	(213)	(756)
Share Issuance upon vesting	(1,553)	-	(561)	(2,114)
December 31, 2022	3,547	128	2,386	6,061
Unit Issuance	2,878	-	3,507	6,385
Forfeiture	(470)	(8)	(93)	(571)
Share Issuance upon vesting	(1,414)	(36)	(42)	(1,492)
September 30, 2023	4,541	84	5,758	10,383

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.

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 \$0.24 per unit for a total of \$713 which will be amortized over the life of the respective terms (Year ended December 31, 2022 - \$0.61 - \$1,385).

The Company granted PSUs based on achievement of internal operating performance metrics as detailed by management. The total value for the PSUs of \$841 on date of grant will be amortized over the life of the respective terms (Year ended December 31, 2022 - \$586)

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 11. 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	
	2023	2022	2023	2022
Salaries, consulting and director fees	\$ 321	\$ 625	\$ 1,047	\$ 1,480
Share based payments	259	165	718	705
	\$ 580	\$ 790	\$ 1,765	\$ 2,185

(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 September 30, 2023, \$153 (December 31, 2022 - \$105) was due to directors and officers of the Company for accrued bonus, consulting, director fees and expense reimbursement.

Insiders of the Company subscribed for a total of 779 Units for total gross proceeds of \$109 under the June 2023 private placement (note 10(a)).

## 12. 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	
	2023	2022	2023	2022
Variable cost of product	\$ 12,303	\$ 17,287	\$ 36,607	\$ 52,092
Fixed factory overhead	1,387	1,298	4,351	3,834
Depreciation	524	461	1,586	1,220
	\$ 14,214	\$ 19,046	\$ 42,544	\$ 57,146

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.

## 13. 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	
	2023	2022	2023	2022
SG&A wages	\$ 2,190	\$ 2,630	\$ 6,805	\$ 7,020
SG&A other	994	1,405	3,063	4,109
Product development	151	171	459	559
Acquisition related activity and One-time charges	76	377	645	1,301
	\$ 3,411	\$ 4,583	\$ 10,972	\$ 12,989

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 14. 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 (86%) and Canada (14%).

Sales in the three and nine months ended September 30, 2023 from the top four customers amounted to \$8,341 (43%) and \$19,718 (34%). (2022 - \$7,853 (30%) and \$20,192 (26%)).

The Company had one account that accounted for greater than ten percent of accounts receivable for a total of \$3,797 or 35% at September 30, 2023 (December 31, 2022 – one accounts: \$1,813 or 19%).

The Company's significant reportable segments aggregates its subsidiaries operating performance into five main business groups. 62% of the reportable segment assets are allocated in the Company's Canadian operations, and 38% are allocated to the Company's USA operations.

The Company's chief operating decision maker (Chief Executive Officer) evaluates segment performance based on segment revenue and operating earnings defined as "net income before corp. costs". Net income before corp. costs is comprised of each segments discrete revenues, cost of product revenue, logistics and fulfillment, and SG&A.

The following is a breakdown of the Company's operating performance by business group for the three months ended September 30, 2023 and 2022.

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
<b>September 30, 2023</b>						
Revenue	\$ 19,397	\$ 8,132	\$ 10,513	\$ 303	\$ 6	\$ 443
Net income, before corp. costs	2,073	(85)	2,079	30	(4)	53
Depreciation and Amortization	978	670	308			
Capital Expenditures	2,105	1,149	956			
Reportable segments assets	92,029	64,903	27,126			
<b>September 30, 2022</b>						
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			

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 14. Segmented information (continued):

The following is a breakdown of the Company's operating performance by business group for the nine months ended September 30, 2023 and 2022.

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
<b>September 30, 2023</b>						
Revenue	\$ 57,994	\$ 27,530	\$ 28,222	\$ 954	\$ 39	\$ 1,249
Net income, before corp. costs	5,332	(208)	4,730	510	10	289
Depreciation and Amortization	3,209	2,273	936	-	-	-
Capital Expenditures	2,105	1,149	956	-	-	-
Reportable segments assets	92,029	64,903	27,126			
<b>September 30, 2022</b>						
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			

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

	Three months ending Sep. 30		Nine months ending Sep. 30	
	2023	2022	2023	2022
Reportable segment net income, before corp. costs	\$ 2,703	\$ 2,509	\$ 5,332	\$ 7,203
Parent company costs (unallocated)	(1,894)	(2,178)	(5,495)	(5,469)
SG&A (unallocated)	(76)	(377)	(645)	(1,301)
<i>Adjustments to reconcile to net loss before taxes:</i>				
Share based compensation	(675)	(381)	(1,472)	(1,556)
Depreciation and amortization	(503)	(465)	(1,743)	(1,436)
Financing costs	(2,121)	(1,394)	(5,716)	(3,687)
Foreign exchange gain (loss)	(169)	611	(21)	(152)
Loss on debt repayment and conversion	-	(445)	-	(449)
Gain on interest free loan	-	-	42	15
Net loss before taxes	\$ (3,365)	\$ (2,120)	\$ (9,718)	\$ (6,832)

# GOOD NATURED PRODUCTS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 15. Supplementary cash flow information:

	Nine months ended Sep. 30	
	2023	2022
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

## 16. Subsequent Event Note:

- On October 1<sup>st</sup>, 2023 the Company committed to a leasing arrangement for high speed extrusion equipment at the Company's Richmond Facility for approximately US\$3,211, with the purpose of improving production output and efficiency within the Company's Industrial segment.