good natured Products Inc.

Management Discussion & Analysis
for the Three Months Ended March 31, 2023

as at May 23, 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 May 23, 2023 and provides an analysis of the Company's financial results for the three months ended March 31, 2023. The following information should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the year ended December 31, 2022 ("**FY2022**"), amended and restated annual financial statements and related notes for the year ended December 31, 2021 ("**FY2021**"), and the consolidated financial statements for the three months ended March 31, 2023 ("**Q1 2023**").

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.

As previously disclosed, 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. For a more comprehensive discussion of factors that could affect the Company, refer to the

"Risk Factors" section of the Annual Information Form of the Company dated April 26, 2023. 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 or as of the date specified in such statement.

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 default 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 concern[1].

good natured® offers over 400 products and services through wholesale, direct to business, and retail channels. From plant-based home organization products to certified compostable food containers, bio-based industrial supplies and 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 its own e-commerce platform in the U.S. and Canada as well as through Amazon and other 3rd party channels.

good natured® carries on business across five business groups, namely Packaging, General Merchandise, Industrial, Commercial & Business 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 vast majority of the Company's operations are performed within the U.S. and Canada. The Company is listed on the TSX Venture Exchange under the symbol "GDNP" and on the OTCQX Best Market under the symbol "GDNPF".

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

growth strategy

The Company aims to become North America's leading earth-friendly product company. In order to maximize the positive environmental impact, *good natured®* aims to offer the widest possible assortment of plant-based products made all or in part from rapidly renewable resources instead of fossil fuels. These products are marketed to a range of customer segments to deliver a diversified revenue and margin mix that de-risks the business. The Company also aims to gain the highest share of each customer's total spend on sustainable products to drive a strong recurring revenue model and enhanced customer loyalty.

The Company's go-to-market strategy is centered on driving growth through a two-pronged approach:

1. Organic growth 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. products that expand the Company's 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 EBITDA.

The Company's targeted acquisitions may currently offer petroleum-based products that can be reformulated and re-launched using plant-based materials, or the business may have commercially ready plant-based products that can immediately enhance the *good natured®* product assortment.

If the acquired business produces a petroleum-based product assortment, the Company will plan to convert the petroleum-based product offering 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 disruptions 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.

The Company strives to achieve 50% of its growth organically by adding new customers and 50% of its growth through acquisitions, which are mutually supported by new product launches and cross selling opportunities.

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 to provide 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 May 18, 2023, the Company announced it signed a commercial contract with a regional US snack food producer that distributes across several prominent Texas retailers. The contract outlines a two-year agreement whereby *good natured*® will supply packaging based on the Company's proprietary GoodGuard™ tamper-evident design. Revenue of approximately USD $1.2 million is anticipated in the first year, with the first shipment to the customer expected in Q3 2023.
- On May 4, 2023, the Company announced the arrival of its GoodToGo™ Microwavable collection, the first CMA certified compostable[2], high-clarity take-out containers that are heat-resistant and made with 97% plant-based materials.

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

[2] Certified by [Compost Manufacturing Alliance](), these products are commercially compostable where facilities exist.

overall performance

Selected Financial Information

The following tables summarize certain data from the financial statements of the Company for the periods ended March 31, 2023 and 2022, and as at March 31, 2023, December 31, 2022 and March 31, 2022.

	3 months ended Mar 31	
	2023	2022
Revenue	$ 20,315	$ 25,936
Adjusted EBITDA[1]	$ 673	$ 1,157
Net loss	$ (2,521)	$ (1,592)
Basic and diluted loss per common share	$ (0.01)	$ (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.

	Mar-23	Dec-22	Mar-22
Assets	$ 104,975	$ 104,441	$ 96,821
Liabilities	$ 88,262	$ 85,491	$ 76,624
Asset to liability ratio	$ 1.19	$ 1.22	$ 1.26
Cash and cash equivalents	$ 11,610	$ 11,860	$ 12,374
Net working capital	$ 8,817	$ 9,954	$ (18,667)

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

Selected Financial & Operational Highlights

The following are selected financial and operational highlights for the three months ended March 31, 2023:

- Achieved quarterly revenue of $20,315 for Q1 2023 compared to $25,936 for the three months ended March 31, 2022 (“**Q1 2022**”) and compared to $23,306 for the three months ended December 31, 2022 (“**Q4 2022**”).
- Generated VGM of 38% for Q1 2023 compared to 32% for Q1 2022 and 33% in Q4 2022. Gross margin was 28% for Q1 2023 compared to 26% for Q1 2023 and 25% for Q4 2022.
- Adjusted EBITDA for Q1 2023 was $673, representing the Company’s sixth consecutive positive quarter, compared to Adjusted EBITDA of $1,157 for Q1 2022 and $5 for Q4 2022.
- Cash generated by operating activities for Q1 2023 was $792 compared to $3,140 for Q1 2022 and $4,043 in Q4 2022.
- The Company recorded a net loss of $2,521 in Q1 2023 compared to a net loss of $1,592 in Q1 2022 and $4,912 in Q4 2022.
- SG&A expenses of $3.8 million compared to $3.8 million in Q1 2022 and $4.9 million in Q4 2022. As a percent of revenue, SG&A was 19% for Q1 2023 compared to 15% for Q1 2022 and 21% for Q4 2022.
- Fulfillment and logistics expense of $1.9 million compared to $2.3 million in Q1 2022 and $2.2 million in Q4 2022. As a percent of revenue, fulfillment and logistics was 9% for Q1 2023 compared to 9% for Q1 2022 and 10% for Q4 2022.
- Assets increased to $104,975 as at March 31, 2023, compared to $104,441 as at December 31, 2022.
- The Company’s asset-to-liability ratio was 1.19 as at March 31, 2023, compared to 1.22 as at December 31, 2022.
- Cash and cash equivalents equaled $11,610 as at March 31, 2023, compared to $11,860 as at December 31, 2022.
- Net working capital was $8,817 as at March 31, 2023, compared to $9,954 as at December 31, 2022.

Key Acquisitions

In the last eight fiscal quarters, the Company completed 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

The following table summarizes certain data from the financial statements of the Company for the periods ended March 31, 2023 and 2022.

	3 months ended Mar 31		
	2023	2022	+/-
Revenue	20,315	25,936	-22%
Variable cost of product	12,702	17,715	-28%
Variable Gross Profit[1]	7,613	8,221	-7%
Variable Gross Margin %	37.5%	31.7%	
Fixed factory overhead	2,014	1,587	27%
Gross profit	5,599	6,634	-16%
Gross margin %	27.6%	25.6%	
Fulfilment & logistics	1,908	2,253	-15%
SG&A Excluding Acquisition Costs and One-Time Charges [1]	3,550	3,528	1%
Share-based compensation	403	601	-33%
Depreciation	627	671	-7%
Financing costs	1,799	975	85%
Foreign exchange gain (loss)	(291)	(26)	1,019%
Gain on interest free loan	(42)	-	-%
Acquisition related expenses & one time charges	291	278	5%
Deferred income taxes recovery	(125)	(54)	131%
Net loss for the period	(2,521)	(1,592)	58%
Adjusted EBITDA[1]	673	1,157	-42%

[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 Q1 2023 decreased 22% to $20,315 as compared to $25,936 for Q1 2022. The year-over-year change in revenue in Q1 2023 was driven by a reduction in Industrial business group revenue which was partly offset by organic growth in the Company's Packaging business group, as well as contribution from the FormTex acquisition completed in July 2022. The decline in the industrial business group revenue was the result of continued customer de-stocking from high inventory levels in prior quarters due in part to unpredictable demand cycles from their end users, as well as an overall industry shift to just-in-time ordering. This was concentrated amongst the Company's commodity petroleum-based Industrial products inherited through its acquisitions, where a combination of increased competitive pressure and declines in average selling prices were particularly pronounced.

Revenue Mix by Business Group, Geography and Customer

The following table breaks down the percentage of the Company's revenues by business group, geography and customer:

	3 months ended Mar 31	
	2023	2022
Revenue	20,315	25,936
Industrial	52%	73%
Packaging	44%	24%
General Merchandise	2%	1%
Commercial Supplies	0%	0%
Service / Other	2%	2%
Revenue to US	89%	90%
Revenue to CAD	11%	10%
Revenue from Top 4 Customers	28%	31%

For Q1 2023, revenue for the Industrial business group declined by 45%, or $8,498 in comparison to Q1 2022. The change in Industrial revenue in Q1 2023 compared to Q1 2022 was driven by a reduction in revenue from third-party Industrial thermoforming customers due to factors outlined above.

The Industrial business group contributed 52% of total revenue for Q1 2023 compared to 73% for Q1 2022. The decrease in the Industrial business group revenue mix in Q1 2023 compared to Q1 2022 was driven by a higher growth rate in Packaging revenues than Industrial revenues and softening demand from industrial thermoforming customers as described above. The Company's Packaging business group's growth continued to require a higher level of internal Industrial rollstock production capacity utilization to supply its own thermoformed packaging facilities.

Packaging revenue for Q1 2023 grew by 46% or $2,832 in comparison to Q1 2022. Packaging revenue growth was driven by the addition of new customers and the acquisition of FormTex in July 2022. The Packaging business group contributed 44% of total revenue for Q1 2023 compared to 24% for Q1 2022.

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 IFRS financial measures:

	3 months ended Mar 31		
	2023	2022	+/-
Revenue	20,315	25,936	-22%
Variable cost of product	12,702	17,715	-28%
Variable Gross Profit[1]	7,613	8,221	-7%
Variable Gross Margin %	37.5%	31.7%	
Fixed factory overhead	2,014	1,587	27%
Gross profit	5,599	6,634	-16%
Gross margin %	27.6%	25.6%	

[1] A 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 Q1 2023 increased to 37.5% compared to 31.7% for Q1 2022. 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 Q1 2023 was largely influenced by the following factors:

- a higher mix of revenues from the Packaging and General Merchandise business groups in Q1 2023 as compared to Q1 2022, primarily driven by the addition of new customers, the acquisition of FormTex, and lower Industrial business group revenue mix contribution;

- the decline in Industrial input costs in Q1 2023 compared to Q1 2022 more than offset the decline in Industrial average selling price over the same period; and
- productivity enhancements in the variable cost of products, such as direct labor efficiency, as evidenced by the 28% decline in Q1 2023 variable cost of products that exceeded the decline in revenue as compared to Q1 2022.

Gross Margin

Gross margin for Q1 2023 was 27.6% compared to 25.6% for Q1 2022. 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 Q1 2023 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 Q1 2023 compared to Q1 2022:

	3 months ended Mar 31		
	2023	2022	+/-
Outsource fee	269	417	-35%
Fulfilment	1,231	1,417	-13%
Warehousing and other	408	419	-3%
Total Fulfilment & Logistics	1,908	2,253	-15%
Total Fulfilment & Logistics as a % of Revenue	9%	9%	

Fulfilment and logistics costs as a percentage of revenue for Q1 2023 were 9%, compared to 9% in Q1 2022. Fulfillment and logistics costs in Q1 2023 decreased 15% or $345 compared to Q1 2022. The decrease in fulfillment and logistics costs for Q1 2023 was primarily driven by decreased shipments volumes.

Selling, General and Administrative

The following is a breakdown of the material components of SG&A expenses in Q1 2023 compared to Q1 2022, 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 months ended Mar 31		
	2023	2022	+/-
SG&A Wages	2,353	2,086	13%
SG&A Other	1,031	1,250	-18%
Product Development expense	166	192	-14%
Acquisition related expenses & one-time charges	291	278	5%
SG&A	3,841	3,806	1%
SG&A % of Revenue	19%	15%	
SG&A Excluding Acquisition Costs and One-Time Charges [1]	3,550	3,528	1%
SG&A % of Revenue Excluding Acquisition Costs and One-Time Charges	17%	14%	
SG&A Wages % of Revenues	12%	8%	

[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 in Q1 2023 increased by 1% compared to Q1 2022 while revenue declined by 22% compared to Q1 2022, resulting in an increase in overall SG&A as a percent of revenue to 19% for Q1 2023 compared to 15% for Q1 2022. The change in SG&A expenses is due to the following factor(s):

- wages increased by 13% or $267 as a result of the July 2022 FormTex acquisition, as well as overall growth in average wage rates; and
- "SG&A Other" expenses declined by 18% or $219 as compared to Q1 2022, largely as a result of the Company's efforts to reduce costs in areas such as accounting and audit fees, investor relations, as well as general legal fees.

Adjusted EBITDA

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

	3 months ended Mar 31		
	2023	2022	+/-
Net loss for the period	(2,521)	(1,592)	58%
Share-based compensation	403	601	-33%
Depreciation	627	671	-7%
Depreciation in COGS & SG&A	532	304	75%
Financing costs	1,799	975	85%
Foreign exchange loss (gain)	(291)	(26)	1,019%
Gain on WINN Loan	(42)	-	- %
Acquisition related expenses & one-time charges	291	278	5%
Deferred income taxes recovery	(125)	(54)	131%
Adjusted EBITDA[1]	673	1,157	-42%

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

For Q1 2023, the Company recorded Adjusted EBITDA of $673 compared to $1,157 for Q1 2022. Adjusted EBITDA for Q1 2023 as a percent of revenue was 3% compared to 4% in Q1 2022. The decrease of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue was primarily driven by the following factors:

- overall revenue declined by $5,621 or 22% compared to Q1 2022 and variable cost of goods sold declined by $5,013 or 28%, resulting in a $608 or 7% decrease in Variable Gross Profit compared to Q1 2022; and
- the decline in gross profit contribution of $985 exceeded the decline in fulfilment and logistics costs.

Net Loss

For Q1 2023, the Company incurred a net loss of $2,521 or $0.01 per Common Share compared to a net loss of $1,592 or $0.01 per Common Share in Q1 2022. In addition to factors already outlined above in the Adjusted EBITDA section, the change in net loss in Q1 2023 was driven primarily by the following factors:

- $824 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;

- a $184 increase in depreciation costs associated with the acquisitions of FormTex and the purchase of the Company's Ayr, Ontario facility and new high-speed equipment; and
- a $198 decline in stock-based compensation associated with lower underlying share price levels and volatility.

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.

Intended Use of Net Proceeds[1]	Proposed Amount of Net Proceeds	Actual Use of Net Proceeds as of Dec 31, 2022	Remaining to be Spent
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 1st 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		Mar. 2023		Dec. 2022		Sep. 2022		Jun. 2022
Revenues	$	20,315	$	23,306	$	26,178	$	25,546
Adjusted EBITDA[1]	$	673	$	5	$	792	$	1,005
Net income (loss)	$	(2,521)	$	(4,912)	$	(2,066)	$	(3,012)
Basic and diluted loss per common share	$	(0.01)	$	(0.02)	$	(0.01)	$	(0.01)
Three months ended		**Mar. 2022**		**Dec. 2021**		**Sep. 2021**		**Jun. 2021**
Revenues	$	25,936	$	22,860	$	18,001	$	12,371
Adjusted EBITDA[1]	$	1,157	$	540	$	(588)	$	(175)
Net income (loss)	$	(1,592)	$	(4,175)	$	(2,919)	$	(3,698)
Basic and diluted loss per common share	$	(0.01)	$	(0.02)	$	(0.01)	$	(0.02)

[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 -13% to 57%. Factors that affected quarter-over-quarter revenue growth include, but are not limited to:

- the Company completed acquisitions in July 2022 and May 2021;
- the Company grew its active B2B customer base;
- 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;
- beginning late in Q3 2022 and continuing through Q4 2022 and Q1 2023, 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 in part to softening macroeconomic conditions as customers worked through inventory that was built up to avoid

widespread supply chain disruptions prevalent in prior quarters, as well as increased competitive pressures for commoditized petroleum-based industrial products; and
- lower input costs, reduced demand, and a general abatement in inflationary pressures led to lower average selling prices in the Industrial business group in Q1 2023.

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
- reduced demand, and a general abatement in inflationary pressures lead to lower input costs in the Industrial business group in Q1 2023 resulting in a decline in variable cost of product.

Additional details regarding these factors can be found in the Company's Amended and Restated MD&A for FY2021, the MD&A for FY2022. 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 March 31, 2023, the Company had cash of $11,610, net working capital of $8,817, and $61,814 of total debt, of which $5,638 is classified as current. The Company generated positive cash flow from operations in Q1 2023. See "Cash Flows" section for further details.

On August 26, 2022, the Company successfully secured the Senior Credit Facility with Wells Fargo. As at March 31, 2023, the amount due on the Senior Credit Facility was $14,829 (see "Financing Activity and Use of Proceeds" section for further details). As at March 31, 2023, 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 Q1 2023 compared to Q1 2022:

	3 months ended Mar 31		+/-	+/-
	2023	2022	$	%
Cash provided by operating activities	792	3,140	(2,348)	-75%
Cash provided by (used in) financing activities	(277)	414	(691)	-167%
Cash used in investing activities	(766)	(1,693)	927	-55%
Effect of foreign exchange rate changes on cash	1	(142)	143	-101%
Net change in cash	(250)	1,719	(1,969)	-115%
Beginning cash	11,860	10,655	1,205	11%
Ending Cash	11,610	12,374	(764)	-6%

Cash generated by operating activities for Q1 2023 was $792 compared to $3,140 for Q1 2022. The operating cash generated for Q1 2023 was driven by a decrease in non-cash net working capital, which was primarily due to increases in accounts payables of $2,958 and decreases in inventory of $757, partly offset by increases in accounts receivables of $2,058. Cash generated by operating activities also reflected finance costs paid of $1,535 compared to $725 for Q1 2022.

Cash used by financing activities in Q1 2023 was $277 compared to $414 provided by financing activities in Q1 2022. In Q1 2023, the Company drew an additional $1,404 from debt facilities and repaid a total of $1,681 in debt split between vendor take back notes, mortgages and other debt. In Q1 2022, the Company drew an additional $700 from the senior credit facility with National Bank.

Cash use by investing activities in Q1 2023 was $766 compared to $1,693 in Q1 2022. In Q1 2023, the Company invested $697 in fixed assets. In Q1 2022, the Company invested $1,466 in high-speed manufacturing equipment and robotics.

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 net working capital as at March 31, 2023, December 31, 2022 and March 31, 2022:

	Mar-23	Dec-22	Mar-22
Cash	11,610	11,860	12,374
Accounts Receivable	11,418	9,360	13,685
Inventory	11,906	12,663	18,043
Prepaids	744	929	993
Accounts Payable	21,223	18,265	22,473
Current portion Long-term Debt	5,638	6,593	41,289
Net Working Capital	8,817	9,954	(18,667)
Net Working Capital excluding current portion of long term debt[1]	14,455	16,547	22,622

	Mar-23	Dec-22	Mar-22
Raw Materials	7,463	7,548	14,782
Finished Goods	4,443	5,115	3,267
Inventory	11,906	12,663	18,043

[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 March 31, 2022, due to a default on its senior credit facility with National Bank, the Company had $41,289 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 December 31, 2022 to March 31, 2023 is due primarily to:

- increases in accounts payable and decreases in inventory more than offsetting increase in accounts receivable.

As at March 31, 2023, the Company had no commitments for significant capital expenditures.

outlook

Growing consumer demand for sustainable products, increasing regulatory policy, and 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 half of FY2022 and a portion 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 and Q1 2023, which is anticipated to continue and may result in a decline in Industrial business group revenue through the next several quarters.

Management saw some input costs decline in late 2022 and thus far in 2023 as a result of a reduction in ocean transportation costs. If inflationary pressures continue to abate through the course of 2023, the Company may benefit from lower input costs that would increase Variable Gross Margin. The easing of inflation pressures and lower input costs may lead to continued 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 from 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 March 31, 2023 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 Q1 2023 compared to Q1 2022:

	3 months ended Mar 31	
	2023	2022
Salaries, management, consulting and directors' fees	397	405
Share based payments[(i)]	237	334
	634	739

(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 March 31, 2023, $125 (March 31, 2022 - $323) was due to directors and officers of the Company for accrued bonus, management, consulting and director fees, as well as expense reimbursements.

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 March 31 2023, 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 March 31, 2023. 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 annual audited consolidated financial statements for the year ended December 31, 2022.

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 March 31, 2023 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 March 31, 2023, trade and other receivables total $11,418 (December 31, 2022, $9,360). There is allowance for doubtful accounts of $0 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	241,7775,427	N/A-
Options	9,514,741	9,514,741
Other equity incentive compensation	12,340,657	12,340,657
Warrants	9,164,400	9,164,400
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		294,786,201

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, and the "Risk Factors" contained the Company's various filings on SEDAR.

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.goodnaturedproducts.com.