good natured Products Inc.

Management Discussion & Analysis for the Nine Months Ended September 30, 2019

The following management discussion and analysis ("MD&A") of financial condition and results of operations of good natured Products Inc. ("*good natured*®", "GDNP", "the Company", "management", "we", "us" or "our") is prepared as at November 26, 2019 and should be read in conjunction with the Company's unaudited consolidated condensed interim financial statements and accompanying notes for the nine months ended September 30, 2019 and audited consolidated financial statements and accompanying notes for the year ended December 31, 2018. Both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures in this MD&A are in Canadian dollars unless otherwise stated.

This MD&A is intended to help the reader understand the Company, our operations, financial performance, current and future business environment and opportunities and risks facing the Company. Certain risks relating to the Company are set out explicitly in Appendix 1 of this MD&A. In addition, certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding such statements in Appendix 2 of this MD&A.

good natured Products Inc.
TSX-V: GDNP

company profile

good natured® is producing and distributing one of North America's widest assortments of better everyday products® made from the highest possible percentage of renewable, plant-based materials and no BPAs, phthalates or other chemicals of concern identified as potentially harmful to human health and the environment.

By combining cutting-edge renewable material technology and the latest sustainable design features, *good natured®* creates planet-friendly products and packaging that do good for the planet, good for human health and good for business by driving incremental sales, minimizing waste and improving logistics, all bundled up in a fresh and friendly brand.

good natured® customers include retailers, food producers, food packers, consumer product companies, restaurants, thermoforming companies and other industrial processors within 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 business to consumer or "B2C" purchasing of its best-selling items through Amazon and its own e-commerce platform.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "GDNP".

business overview

Macro Trends

Rapidly growing segments

Bioplastics is a fast-growing segment, with CAGRs ("Compound Annual Growth Rate") for bioplastic resin estimated at up to 22%[1] (5-10x overall industry rate[2]). Grocery fresh prepared foods are expected to grow to $51 billion USD by 2021 with a CAGR of 8%. These foods require finished packaging to preserve freshness and protection, and bioplastic resin is being actively used for this purpose. This, along with other growth factors, is driving strong demand for the Company's proposition.

Fragmentation caused by rapid growth

Production capacity and range of bio-based ingredients are quickly increasing, leading to rapid channel development. The industry is characterized by multiple small entrants where no clear leader has emerged.

Increasing regulatory pressure

Bans on plastics, BPAs, phthalates and polystyrene are driving change in how everyday products are packaged and sold. For example, the Canadian government has announced a plan to ban single-use, non-biodegradable plastics as early as 2021.[4]

Consumer demand for better everyday products

All age groups, and especially Millennials and Gen Z, are more aware of the potentially negative health impacts of chemicals found in plastics and increasingly expect brands and retailers to be more socially and environmentally responsible. Traditional industrial business models are not designed to build consumer-oriented, branded products and packaging for retailers and other businesses who are keen to address consumer demand for healthier living and unique new items.

1. Ten-Year Forecast of Disruptive Technologies in Sustainable Packaging to 2028, Freedonia, April 2018, https://www.smitherspira.com/industry-market-reports/packaging/disruptive-technologies-in-sustainable-packaging
2. Bioplastics and Biopolymers Market by Type, by Application, and by Geography - Global Forecast to 2021, GMI Research, June 2017, https://www.gmiresearch.com/report/bioplastic-biopolymers-market.html
3. Capitalizing on Opportunities in Fresh Prepared Foods , LEK, 2017, https://www.lek.com/sites/default/files/insights/pdf-attachments/LEK_Analysis_2_Fresh_Prepared_Foods.pdf
4. Canadian Government to ban single-use plastics, June 2019, https://www.cbc.ca/news/politics/government-to-ban-single-use-plastics-by-2021-1.5168386

Market Strategy

The *good natured®* go-to-market approach is centered around sourcing and developing proprietary plant-based materials and transforming them into a wide range of finished products within two key target markets: 1. “green” finished packaging, which makes use of a variety of renewable raw materials, including bioplastics and fibre, to replace petroleum; and 2. home and business products, which have high consumer appeal, strong purchase frequency and traditionally use a significant amount of petroleum-based raw materials.

packaging

The global “green” packaging market is projected to grow to **$274.15 billion** by 2020, of which **54%** was food packaging in 2015.

Global Green Packaging Market 2017-2021, Reportlinker-Infiniti Research Limited, April 2017, Pack Expo, November 2016, PMMI Infographic,

home & business products

Home & business organization products is a **$16 billion** market in the US alone, of which bins, baskets & totes represents $5.6 billion.

Home Organization Market: Retail and Industry Trends and Analysis, March 2017

The Company's product assortment of over 100 food packaging applications and 30 home & business products have been categorized into **Business Groups** within each of the *good natured®* target markets to drive an optimal revenue and margin mix. In the second quarter of 2019, the Company also launched a new product line targeting an industrial product market segment.

Market Positioning

good natured® targets four **Market Segments** and tailors its product assortment and offerings accordingly:

1) National – customers with operational presence across multiple states, provinces, and regions in North America.
2) Regional – customers with operations in one region, states or province
3) Small Business – customers with operations in one metropolitan area.
4) Direct to Consumer – proprietary and 3rd party e-commerce shopping platforms in the US and Canada.

Currently, The Company has over 200 national, regional and small business customers across 48 states and provinces.

	Business Groups								
	Packaging						Home/Business Organization Products		
Market Segments	Categories								
	Bakery	Ready Meals	Produce	Deli/ Butcher	Dairy/ Frozen	Roll Stock	Office	Home	Kitchen
National	●		●			●	●	●	
Regional	●	●	●	●	●	●	●	●	●
Small Business	●	●	●			●	●		
Direct to Consumer							●	●	●

Droplets represent Business Groups and Market Segments where we have active customers and product assortment, Categories represent targeted markets.

Intellectual Property & Sourcing

The *good natured*® product development ("PD") and sourcing teams look globally to find the latest and most advanced plant and bio-based materials. Using the principles of Green Chemistry, these ingredients are combined into unique formulations to meet specific plant-based percentage requirements, material performance requirements, and/or market pricing objectives for our products. The resulting formulations form composite intellectual property and/or trade secrets that give the Company a unique competitive advantage. *good natured*® currently has five material platforms used to create finished packaging and products.

The Company also partners with bio-refinery companies with proprietary plant-based materials. This is typically done with supplier agreements through which *good natured*® sources material from the third parties and then either converts that material into finished packaging and/or uses the material as a key ingredient in its packages or products.

good natured® conducts all its product development activities through a collaboration process that subcontracts portions of the PD to several leading Canadian research and development institutions. The Company also works closely with its supply chain partners leveraging their experience, labs and testing capacity. Through these collective relationships, the Company has developed wholly-owned, proprietary intellectual property and trade secrets, which have allowed *good natured*® to develop plant-based materials that deliver equal or greater performance relative to currently available petroleum-based plastics.

The Company has also secured registered trademarks for its "good natured" brand name and "better everyday products" across all relevant categories in Canada and the United States.

Business Model

The *good natured®* business model has been designed to be “capital light” and enable the Company to develop a leading and highly scalable assortment of plant-based products that can be sold directly to customers.

The Company’s products, packaging and materials are developed and sourced without having to invest in specialized equipment to produce them. This agile, collaborative approach to sourcing and manufacturing allows *good natured®* increased flexibility to bring industry-leading products and materials to its customers while reducing time and costs for the Company’s go-to-market strategy.

The *good natured®* team works directly with customers to provide products and packaging from within its existing product assortment or to design and deliver a customized solution. The Company then secures purchase orders directly from the customer and delivers orders through its outsourced supply chain partner agreements or through the brand or retailer’s preferred supply chain partners.

good natured® has developed key supply chain relationships for raw materials and has secured outsourced supply chain agreements in place to reliably fulfill orders in North America. The Company’s materials have been specifically designed to work with standard manufacturing equipment so that no investments in retooling are required, providing a capital efficient and scalable model for both supply chain partners and the Company.

Competitive Advantage

good natured® is well-positioned to compete in the high-growth bioplastics and plant-based materials industry. The Company's competitive advantages include:

- leading assortment of plant-based packaging and products;
- segmented sales strategy by Business Groups and Market Verticals;
- unique ingredient sourcing agreements;
- proprietary, patented and/or patent pending packaging designs;

- trade secrets and know how;
- exclusive and highly scalable outsourced supply chain agreements;
- competitive product and packaging pricing;
- capital-light business model;
- consumer-oriented, recognizable brand and market positioning; and
- first-to-market positioning and commercial arrangements directly with retailers and major brands.

Growth Strategy

The Company is driving increased market share of its packaging and products through two growth levers:

1) **Organic Sales** driven by a "land and expand" sales strategy that includes:
    a. Acquiring new customers directly
    b. Cross Selling additional packaging and products into existing customer base
    c. Adding Product Lines that extend the *good natured*® product offering in each Business Group and/or create a new Business Group with a new collection of products, which may then be sold into the existing customer base

2) **Acquisitions** focusing on existing Business Groups, manufacturing and/or books of business in which either petroleum-based plastic packaging or products can be reformulated, rebranded and re-launched into the market or the business has commercially ready bio-based products that can be scaled into the *good natured*® business model and customer base.

This growth strategy has been instrumental in delivering 138% revenue growth to $7.6 million for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. This builds on the Company's 76% revenue growth to $5.1 million for the year ended December 31, 2018 compared to the unaudited revenues for the twelve months ended November 30, 2017.

Organic Sales

The *good natured*® organic sales strategy is executed through 4 stages:

1) building a sales funnel with new customers;
2) cross selling additional products to existing customers; and
3) bringing new products to market with existing and new customers; and
4) entering new geographic areas.

The Company's business development activities are focused on building multi-year recurring revenue streams with each of its existing customers.

Key Acquisitions

Breakthrough Packaging Acquisitions

On May 26, 2016, *good natured*® completed the acquisition of Ex-Tech Plastics Inc.'s ("Ex-Tech") bioplastics division. Ex-Tech received 6,650,000 common shares of *good natured*®, subject to a 24-month hold period, with a value of $1.13 million as consideration. *good natured*® also pays Ex-Tech a variable outsourced supply chain and fulfillment fee for operational, marketing, production and back office services, which is directly tied to the Company's business volumes. The acquisition opened up additional opportunities for FDA-approved, food safe thermoformed packaging. In addition, *good natured*® is Ex-Tech's exclusive supplier of bio-based materials and additives and Ex-Tech is the Company's exclusive plastics extrusion service provider in North America.

good natured® acquired the bioplastics division of LINDAR Corporation ("LINDAR") subject to the execution of an outsourcing supply chain and fulfillment agreement and TSX Venture Exchange approval. Effective January 1, 2017, *good natured*® began recognizing all bioplastic-based packaging revenue of the bioplastics division acquired from LINDAR. This acquisition continues to move *good natured*® closer to the end user of bio-based packaging. LINDAR has been producing thermoformed packaging since 1993 and is a recognized leader in packaging innovations, including single-serve and tamper evident food packaging. On March 21, 2019, the Company finalized the outsourcing agreement with LINDAR and received approval from the TSX Venture Exchange to release the common share consideration for the acquisition. The Company originally agreed to issue 4,225,000 shares with a value of $0.59 million on December 23, 2016. Pursuant to the agreement finalization, the Company agreed to increase the number of shares to 5,382,000.

Fiscal Year to Date Achievements through September 30, 2019

- Achieved record revenue of $3.18 million for the quarter ended September 30, 2019 (“Q3 2019”) as compared to $1.00 million for Q3 2018, an increase of 217%.
- Achieved record $7.57 million revenue for the 9-month period ended September 30 (“YTD”), 2019 as compared to $3.19 million for YTD 2018, an increase of 138%.
- Became one of the Top Ten best-selling Recyclers on Amazon.com after launching the category in November 2018.
- Reported EBITDA loss reduction of 26% for YTD 2019. The reduced EBITDA loss reflects continued revenue growth and disciplined operating cost control. Refer to Results of Operations for further definition of EBITDA.
- Ended the quarter with $6.56 million cash on hand, $0.66 million available on a credit operating line, and $6.62 million of available credit for acquisition opportunities.
- Launched a new product into the industrial market segment. Positive customer feedback is leading to strong early sales. The unique technical benefits of the product achieved through proprietary production know-how have been key to its successful launch.
- Secured $10 million USD credit facility from BDC Capital Inc. on June 11, 2019 (the "BDC Facility"). A first tranche of $5 million USD was drawn and will be used to further accelerate organic growth and expand the Company’s customer base, product assortment and market reach. The remaining $5 million USD may be drawn to fund an acquisition.

results of operations

Revenue and Gross Profit

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	+/-	2019	2018	+/-
Revenue	$ 3,178,495	$ 1,003,362	217%	$ 7,571,920	$ 3,186,438	138%
Cost of product	(2,139,651)	(689,723)	210%	(4,934,513)	(2,140,623)	131%
Gross profit	1,038,844	313,639	231%	2,637,407	1,045,815	152%
Gross profit %	32.7%	31.3%		34.8%	32.8%	
Product development	(125,411)	(21,135)	493%	(348,488)	(179,575)	94%
Selling, general & administrative	(1,262,332)	(746,687)	69%	(3,347,569)	(2,298,101)	46%
EBITDA	$ (348,899)	$ (454,183)	(23%)	$ (1,058,650)	$ (1,431,861)	(26%)
Share-based compensation	(13,311)	(40,001)	(67%)	(48,710)	(141,928)	(66%)
Depreciation	(42,171)	(121,039)	(65%)	(283,524)	(369,458)	(23%)
Financing costs	(673,364)	(228,606)	195%	(1,212,857)	(542,985)	123%
Gain on interest free loan	13,528	20,961	(35%)	39,646	20,961	89%
Deferred income taxes	(21,168)	-	-	(62,979)	-	-
Net loss for the period	$ (1,085,385)	$ (822,868)	32%	$ (2,627,074)	$ (2,465,271)	7%

Revenue for Q3 2019 increased 217% to $3.18 million as compared to $1.00 million for Q3 2018. Revenue for the 9-months YTD 2019 increased 138% to $7.57 million as compared to $3.19 million for the 9-months YTD 2018. The increase is a result of the successful execution of the Company's market strategy to drive growth through organic sales from cross selling, product line extension and new customer acquisition. In addition, the Company's 2019 launch into the industrial market segment with its product offering contributed to growth.

Gross profit as a percentage of sales for Q3 2019 was 32.7% compared to 31.3% for Q3 2018. Gross profit as a percentage of sales for the 9-months YTD 2019 was 34.8% compared to 32.8% for the 9-months YTD 2018. The increase in gross profit percentage is within expected ranges and is due to changes in product and customer mix.

Product development ("PD")

The following is a breakdown of the material components of product development expense:

	Three months ended September 30,					Nine months ended September 30,				
		2019		2018	+/-		2019		2018	+/-
Wages	$	55,691	$	62,012	(10%)	$	180,263	$	177,328	2%
Other		122,209		26,297	365%		296,139		69,421	327%
Capitalized expenditures		(52,489)		(67,174)	(22%)		(127,914)		(67,174)	90%
	$	125,411	$	21,135	493%	$	348,488	$	179,575	94%

Net PD expense for Q3 2019 increased over the 2018 comparative period by 493%. Gross PD expense increased due to collaborations with Ex-Tech and LINDAR on the development of a series of new product prototyping, material development and production trials. The Company is expanding its PD efforts in key growth categories to develop new lines of products and/or to replace existing lines of products with new designs as well as alternative bio-based raw material supply. The Company has in place a variable fee based outsourced supply chain and fulfillment agreement with each of Ex-Tech and LINDAR.

For the 9-months YTD 2019, Net PD expense increased over the 2018 comparative period by 94%. The Company's ability to grow revenue and attract new customers are a direct result of the Company's investment in developing new products and feature enhancements in a timely collaborative manner.

Selling, general and administrative ("SGA")

The following is a breakdown of the material components of SGA expenses:

	Three months ended September 30,					Nine months ended September 30,				
		2019		2018	+/-		2019		2018	+/-
Wages	$	307,741	$	289,182	6%	$	986,102	$	840,342	17%
Selling and G&A costs		200,866		201,231	(0%)		540,351		610,123	(11%)
Outsource supply chain & fulfilment		753,725		256,274	194%		1,821,116		847,636	115%
	$	1,262,332	$	746,687	69%	$	3,347,569	$	2,298,101	46%

The increase in SGA is largely due to variable outsource supply chain & fulfilment expenses rising in correlation with the Q3 2019 revenue increase of 217% and 9-months YTD 2019 revenue increase of 138%. In addition, wages increased over the past twelve months to support anticipated growth in market share and customer count.

Other items

Financing costs for the 9-months YTD 2019 were $1.21 million compared to $0.54 million for the 2018 comparative period, an increase of 123%. The increase is due to costs related to the initial draw of $5 million USD from the BDC Facility that was completed in June 2019.

For the 9-months YTD 2019, the Company also received additional interest-free loans of $0.15 million under a second loan program entered into with the Western Economic Diversification Canada ("WINN"). As at September 30, 2019, the Company has received at total of $0.26 million of the $0.85 million from the Company's second interest-free loan program with the WINN. In addition, the Company has fully drawn a total of $1.60 million under its first program with the WINN.

EBITDA and Net Loss

	Three months ended		Nine months ended	
	Sep. 2019	Sep. 2018	Sep. 2019	Sep. 2018
Income (loss) for the period:	$ (1,085,385)	$ (822,868)	$ (2,627,074)	$ (2,465,271)
Share-based compensation	13,311	40,001	48,710	141,928
Depreciation and amortization	42,171	121,039	283,524	369,458
Financing costs	673,364	228,606	1,212,857	542,985
Gain on interest-free loan	(13,528)	(20,961)	(39,646)	(20,961)
Deferred income taxes	21,168	-	62,979	-
EBITDA	$ (348,899)	$ (454,183)	$ (1,058,650)	$ (1,431,861)

For the 9-months YTD 2019, the Company incurred an EBITDA loss of $1.06 million compared to an EBITDA loss of $1.43 million for the 9-months YTD 2018, an improvement of $0.37 million or 26%. The reduced EBITDA loss reflects continued revenue growth as a result of the Company's expanding revenue base and disciplined efforts to manage operating cost levels.

The Company has included the non-GAAP performance measure, EBITDA, in the MD&A. The Company employs 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-GAAP measure as information to evaluate the Company's operating and financial performance. As there are no standardized methods of calculating this non-GAAP measure, the Company's methods may differ from those used by others and, therefore, the use of this measure may not be directly comparable to similarly titled measures used by others. Accordingly, this non-GAAP measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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. Accordingly, EBITDA comprises net income (loss) excluding financing costs, share compensation, amortization and depreciation, gains on interest-free loans, and income taxes.

For the 9-months YTD 2019, the Company incurred a net loss of $2.63 million or $0.03 per common share compared to a net loss of $2.47 million or $0.03 per common share for the 9-months YTD 2018, a decrease of 7%.

Segmented Information

The Company carries on business in the plant-based packaging and consumer household product industries and a majority of sales and costs are made in these segments. The vast majority of the Company's operations are performed within the United States & Canada.

Sales in the nine months ended September 30, 2019 from the top four customers amounted to $5,749,888 or 76% of total revenue. (Year ended December 31, 2018 - $4,346,755 or 85%).

The Company commenced sales into the industrial sector during 2019. The Company's initial industrial customer accounted for greater than 10% of total revenue for the 9 months ended September 30, 2019. Given the early stage of the Company's entry into this sector, it is uncertain whether this customer will continue to contribute more than 10% of revenues for the remainder of Fiscal 2019.

The Company had two accounts that accounted for greater than ten percent of accounts receivable for a total of $1,407,110 or 78% at September 30, 2019 (December 31, 2018 – three accounts: $691,313 or 75%).

liquidity and capital resources

		Sep.30, 2019		Dec.31, 2018
Cash	$	6,563,705	$	2,903,466
Trade and Other receivables		1,803,806		915,800
Inventory		432,716		404,560
Prepaid expenses		73,253		84,806
Accounts payable and accruals		(2,093,762)		(1,984,542)
Credit facility		(662,000)		(325,000)
Current portion of loans		(244,179)		(194,100)
Net working capital	$	5,873,539	$	1,804,990

At September 30, 2019, the Company had net working capital of $5.87 million compared to working capital of $1.80 million at December 31, 2018. Management has funded operations through a mix of sales growth, cost management, support from vendors, government funding, equity raises and long-term debt.

On June 11, 2019, the Company secured $10 million USD in growth capital from BDC Capital Inc. ("BDC") to further accelerate organic growth and, in the longer term, expand the Company's customer base, product assortment and market reach. The first tranche of $5 million USD drawn in June 2019 will be used for working capital to further accelerate organic growth. The remaining $5 million USD is available for use in funding acquisition opportunities.

Below is a summary of cash flows provided by/(used in) operating, financing and investing activities:

	Nine months ended		Change	
	Sep. 2019	Sep. 2018	$	%
Cash used in operating activities	$ (2,717,997)	$ (2,042,821)	$ (675,176)	33
Cash provided by financing activities	6,839,102	4,713,309	2,125,793	45
Cash used in investing activities	(460,866)	(145,014)	(315,852)	218
Net change in cash	$ 3,660,239	$ 2,525,474	$ 1,134,765	45
Beginning cash	2,903,466	797,883	2,105,583	264
Ending cash	$ 6,563,705	$ 3,323,357	$ 3,240,348	98

Cash used in operating activities for the 9-months YTD 2019 was $2.72 million compared to $2.04 million for the 9-months YTD 2018, an increase of $0.68 million. The Company's improved EBITDA performance was offset by higher financing costs related to the Company's completed debt placements and increased receivables balance arising from the rise in revenues.

Cash provided by financing activities for the 9-months YTD 2019 was $6.84 million compared to $4.71 million for the 9-months YTD 2018, an increase of $2.13 million. For the 9-months YTD 2019, the Company received net proceeds of $6.08 million from the BDC loan facility, advances on the second WINN loan of $0.15 million, additional draw of $0.34 million on its $1.30 million revolving credit facility, and warrant exercise proceeds of $0.41 million. For the 9-months YTD 2019, the Company repaid $0.11 million of the first WINN loan, and repaid $0.03 million of a capitalized office lease liability. For the 9-months YTD 2018, the Company received net cash proceeds of $4.70 million from a February 2018 convertible debenture with warrant placement, warrant exercise proceeds of $0.06 million and repaid $0.12 million of the first WINN loan.

Cash used by investing activities for the 9-months YTD 2019 was $0.46 million compared to net cash use of $0.15 million for the 9-months YTD 2018. The expenditures relate to manufacturing equipment, office computers and development costs related to the Company's microwave and dishwasher safe plant-based food containers.

historical quarterly results

A summary of the Company's results for the previous eight quarters is as follows *(**please note period ending December 31, 2017 includes one month only due to change in fiscal year announced on January 9, 2018)*:

Three months ended		Sep. 2019		Jun. 2019		Mar. 2019		Dec. 2018
Sales	$	3,178,495	$	2,337,411	$	2,056,014	$	1,916,909
EBITDA	$	(348,899)	$	(366,855)	$	(342,896)	$	(441,234)
Net loss	$	(1,085,385)	$	(821,328)	$	(720,361)	$	(641,055)
Basic and diluted loss per common share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)

Three months ended		Sep. 2018		Jun. 2018		Mar. 2018		**Dec. 2017
Sales	$	1,003,362	$	1,064,589	$	1,118,487	$	263,993
EBITDA	$	(454,183)	$	(490,676)	$	(487,003)	$	(478,426)
Net loss	$	(822,868)	$	(877,911)	$	(764,493)	$	(546,649)
Basic and diluted loss per common share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)

Factors affecting comparability of quarters

The Company is in a high sales growth stage in a fast-growing market. The Company's overall quarterly sales growth since November 2017 is in excess of 300%.

capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to develop the business, and drive revenue growth and customer acquisitions, as well as fund the research and development of new product line extensions.

The Company is dependent on debt and equity funding to maintain sufficient capital to execute on its growth objectives and maintain sufficient capital for its operations. When necessary, the Company raises additional capital through issuance of debt and equity instruments. The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its board of directors, may make changes from time to time to its capital structure as deemed appropriate under the specific circumstances. To date, no dividends have been paid to the Company's shareholders and none are planned.

The Company is subject to certain covenants on its bank credit facility. The covenants include various restrictions and reserve requirements. Other than the covenants required for the credit facility, the Company is not subject to any externally imposed capital requirements.

financial instruments

The Company's financial instruments as at September 30, 2019 include cash, trade and other receivables, accounts payable and accrued liabilities, credit facility, and loans.

The Company's financial assets and financial liabilities are classified and measured at amortized cost.

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
- 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 fair value.

off-balance sheet arrangements

As at September 30, 2019 and the date of this MD&A, the Company did not have any off-balance sheet arrangements.

capital structure

As at November 12, 2019, the Company had:

- 104,297,874 (December 31, 2018 – 94,350,686) common shares outstanding and no preferred shares;
- 7,148,794 (December 31, 2018 – 6,903,794) options outstanding; and
- 17,211,244 (December 31, 2018 – 29,874,965) warrants outstanding.

On December 23, 2016, the Company completed the acquisition of LINDAR's bioplastic book of business, which was subject to finalization of an outsourcing agreement and approval from the TSX Venture Exchange. The common shares to be issued to LINDAR were recorded with a value of $591,500 as consideration and reflected as shares issuable.

On March 21, 2019, the Company finalized the outsourcing agreement with LINDAR and received approval from the TSX Venture Exchange to release the common share consideration for the acquisition. The Company originally agreed to issue 4,225,000 shares with a value of $591,500 on December 23, 2016. Pursuant to the agreement finalization and share release approval, the Company agreed to increase the number of shares to 5,382,000.

On February 28, 2018, the Company completed a convertible debenture offering of 5,049 units ("Units") for gross proceeds of $5,049,000. Each Unit is comprised of one $1,000 principal amount unsecured 10% convertible debenture ("Debenture") of the Company due February 28, 2022 (the "Maturity Date") and 1,500 common share purchase warrants. The Company issued a total of 7,573,500 Warrants to the debenture holders. Each Warrant entitles the holder thereof to purchase one common share of the Company for a period of 48 months after February 28, 2018 at a price of $0.10 per Warrant.

Pursuant to the completion of the BDC Financing, the Company agreed to increase the outstanding warrants that were issued as part of a unit with the Debentures by 122.22% resulting in the issuance of 8,568,975 additional warrants at a price of $0.10 per warrant issued to Warrant Holders. The fair value at grant date of the additional warrants issued was $340,154 based on the Black-Scholes pricing model and was recorded as a BDC Financing discount.

The Warrants are subject to an acceleration right if on any 20 consecutive or non-consecutive trading days following the closing date, the Company's common shares trade at greater than a volume-weighted average trading price of $0.20 on the TSX-V.

The Company also issued non-transferable broker warrants to acquire 2,239,867 common shares from treasury at a price of $0.15 per common share, exercisable at any time within the 39-month period following February 28, 2018. The fair value at grant date of the broker warrants issued was $128,344 based on the Black-Scholes pricing model and was recorded as a Debenture discount. Expected volatility was determined based on comparable publicly listed companies.

During the year ended December 31, 2018, the Company issued 150,000 shares at a price of $0.11 per share and 52,500 shares at a price of $0.10 to settle outstanding indebtedness of $21,750. During the ten months ended December 31, 2017, the Company issued 1,104,500 shares at a price of $0.10 per share to settle outstanding indebtedness of $110,450.

critical accounting policies and statements

Use of estimates and assumptions

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 into 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 IFRS9, 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, sales 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.

Significant judgments

The Company applied judgment in determining the functional currency of the Company and assessing the impairment of accounts receivable, equipment and intangible assets. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials, other costs of sales and in which financing is raised.

The directors have applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the nine months ended September 30, 2019. 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 and as described in note 1 of the Company's annual audited consolidated financial statements for the year ended December 31, 2018, 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, 2018.

additional information

Additional information relating to good natured Products Inc. is available on SEDAR at www.sedar.com.

APPENDIX 1

risks related to the business

Limited Operating History

The Company has a limited operating history and has limited revenues derived from operations. The Company's operating subsidiary, good natured Products (CAD) Inc. (formerly Solegear Bioplastics Inc.), began its business operations in 2006 and spent five years purely on research and development. Significant time and expenditures have been focused on research and development to create the existing product line. The Company's bioplastics were first introduced commercially in 2014 and the near-term focus has been on actively developing accounts and building sales, marketing and support capabilities. The Company's revenue history is as follows: $nil in FY2012 - 2014, $67,220 in FY2015, $146,036 in FY2016, $2,066,061 in FY2017, $2,478,956 for the ten months ending December 31, 2017, and FY2018 $5,103,347. As a result of these and other factors, the Company may not be able to achieve, sustain or increase year to date profitability on an ongoing basis.

Problems Resulting from Rapid Growth

The Company is pursuing a plan to grow its revenues by delivering its growing catalogue of bioplastic products and packaging to a broader customer base impacted by environmental legislation, chemical toxicity and corporate sustainability mandates and by continuing to grow revenue with existing customers and acquire businesses with an existing customer base, all of which will require capital in order to meet these growth plans. In the emerging bioplastics industry, up-front expenses can be high and customization on a customer-by-customer basis is often required. Besides attracting and maintaining qualified personnel, employees or contractors, the Company expects to require working capital and other financial resources to meet the needs of its planned growth. No assurance exists that its plans will be successful or that these items will be satisfactorily handled, and this may have material adverse consequences on the business of the Company.

Competition

There is significant competition in the bioplastics and high-performance plastics market from a range of players from larger established companies to start-ups. the Company competes with others offering similar products. If the Company's systems and technology fail to achieve or maintain market acceptance, or if new products and/or technologies are introduced by competitors that are more favorably received than the Company's offering, or are more cost-effective or provide legal exclusivity through patents or are otherwise able to render the Company's technology and/or products obsolete, the Company will experience a decline in demand which will result in lower than expected sales performance and associated reductions in expected operating profits, all of which would negatively affect stock prices for the Company.

The Company may also be required to collaborate with third parties to develop its products and may not be able to do so in a timely and cost-effective basis, if at all.

Performance of Material

There are significant technical requirements that customers require the Company's bioplastic products and packaging to meet before they are accepted. The Company may not be able to meet these technical requirements, or additives may need to be added to the bioplastic formulations to meet these technical requirements, which could drive up the price of the Company's bioplastic product and packaging to a point where they are not profitable when sold at the intended prices.

Additional Financing Will be Required

The Company anticipates that it will need additional financing in the future to continue its operations. Financing may not be available to the Company on commercially reasonable terms, if at all, when needed. There is no assurance that the Company will be successful in raising additional capital or that the proceeds of any future financings will be sufficient to meet its future capital needs.

Possibility of Significant Fluctuations in Operating Results

The Company's revenues and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including, but not limited to, access to funds for working capital and market acceptance of its products. Revenues and operating results may also fluctuate based upon the number and extent of potential financing activities in the future. There can be no assurance that the Company will be able to reach profitability on a quarterly or annual basis.

The Company has not arranged for any independent market studies to validate its business plan and no outside party has made available results of market research with respect to the extent to which customers are likely to utilize its products or the probable market demand for its products. Plans of the Company for implementing its business strategy and achieving profitability are based upon the experience, judgment and assumptions of key management personnel, and upon available information concerning the bioplastics industry. If management's assumptions prove to be incorrect, the Company may not be successful in growing its business.

Investment in Technological Innovation

If the Company fails to invest sufficiently in research and product development, its products could become less attractive to potential customers, which could have a material adverse effect on the results of operations and financial condition of the Company.

Retention or Maintenance of Key Personnel

There is no assurance that the Company can continuously retain or maintain key personnel in a timely manner if the need arises, even though qualified replacements are believed by management to exist. Failure to have adequate personnel may materially harm the ability of the Company to operate.

Contractual Arrangements

The Company is investing time and resources in developing relationships with a few key customers and prospective customers and if such customers or prospective customers were to terminate their relationships with the Company, it could have a material negative impact on the Company's anticipated performance.

Lack of Control in Transactions

Management of the Company intends to retain other companies to perform various services but may not be in a position to control or direct the activities of the parties with whom it transacts business. Success of the Company may be subject to, among other things, the success of such other parties, with each being subject to their own risks.

Reliance on Third Parties

The Company relies on an outsourced supply chain model and as such certain logistics, technology and manufacturing services are provided to it by third parties, and there can be no assurance that these third-party service providers will be available to the Company in the future on acceptable commercial terms or at all. If the Company were to lose one or more of these service providers, it may not be able to replace them in a cost-effective manner, or at all. This could harm the business and results of operations of the Company.

No Guarantee of Success

The Company, as well as those companies with which it intends to transact business, have significant business purchases and operational plans pending and are, therefore, subject to various risks and uncertainties as to the outcome of these plans. No guarantee exists that the Company, or any company with which it transacts business, will be successful.

Proprietary Rights Could Be Subject to Suits or Claims

No assurance exists that the Company or any company with which it transacts business, can or will be successful in pursuing or maintaining protection of proprietary rights such as business names, logos, marks, ideas, patents, inventions, and technology which may be acquired over time. In some cases, governmental registrations may not be available or advisable, considering legalities and expense, and even if registrations are obtained, adverse claims or litigation could occur.

Financial, Political or Economic Conditions

The Company may be subject to additional risks associated with doing business in foreign countries.

The Company expects to do business worldwide. As a result, it may face significant additional risks associated with doing business in other countries. In addition to language barriers, different presentations of financial information, different business practices, and other cultural differences and barriers, ongoing business risks may result from the international political situation, uncertain legal systems and applications of law, prejudice against foreigners, corrupt practices, uncertain economic policies and potential political and economic instability. In doing business in foreign countries, the Company may also be subject to risks including, but not limited to, currency fluctuations, regulatory problems, punitive tariffs, unstable local tax policies, trade embargoes, expropriation, corporate and personal liability for violations of local laws, possible difficulties in collecting accounts receivable, increased costs of doing business in countries with limited infrastructure, risks related to shipment of raw materials and finished goods across national borders and cultural and language differences. The Company also may face competition from local companies which have longer operating histories, greater name recognition, and broader customer relationships and industry alliances in their local markets, and it may be difficult to operate profitably in some markets as a result of such competition. Foreign economies may differ favorably or unfavorably from the United States economy or Canadian economy in growth of gross national product, rate of inflation, market development, rate of savings, and capital investment, resource self-sufficiency and balance of payments positions, and in other respects.

When doing business in foreign countries, the Company may be subject to uncertainties with respect to those countries' legal systems and laws, which may impact its ability to enforce agreements and may expose it to lawsuits.

Legal systems in many foreign countries are new, unclear, and continually evolving. There can be no certainty as to the application of laws and regulations in particular instances. Many foreign countries do not have a comprehensive system of laws, and the existing regional and local laws are often in conflict and subject to inconsistent interpretation, implementation and enforcement. New laws and changes to existing laws may occur quickly and sometimes unpredictably. These factors may limit the Company's ability to enforce agreements with its current and future customers and supply chain partners. Furthermore, it may expose the Company to lawsuits by its customers or supply chain partners in which the Company may not be adequately able to protect itself.

When doing business in foreign countries, the Company may be unable to fully comply with local and regional laws which may expose it to financial risk.

When doing business in foreign countries, the Company may be required to comply with informal laws and trade practices imposed by local and regional government administrators. Local taxes and other charges may be levied depending on the local needs to tax revenues and may not be predictable or evenly applied. These local and regional taxes/charges and governmentally imposed business practices may affect the cost of doing business and may require the Company to modify its business methods to both comply with these local rules and to lessen the financial impact and operational interference of such policies. In addition, it is often extremely burdensome for businesses operating in foreign countries to comply with some of the local and regional laws and regulations. Any failure on the part of the Company to maintain compliance with the local laws may result in fines and fees which may substantially impact its cash flow, cause a substantial decrease in revenues, and may affect its ability to continue operations.

risks related to good natured® intellectual property

Protection of *good natured*® intellectual property

The Company's products utilize a variety of proprietary rights that are important to its competitive position and success. the Company has been protecting its intellectual property through patents that focus on composition of matter, that is, the materials that make up its bioplastics formulations. Because the intellectual property associated with the Company's technology is evolving, current intellectual property rights may not adequately protect the Company and/or it may not be successful in securing or maintaining proprietary or future patent protection for the technology used in its systems or products, and protection that is secured may be challenged and possibly lost. the Company generally enters into confidentiality or license agreements or has confidentiality provisions in agreements with the Company's employees, consultants, strategic partners and clients and controls access to and distribution of its technology, documentation and other proprietary information. The Company's inability to protect its Intellectual Property adequately for these and other reasons could result in weakened demand for its products, which would result in a decline in its revenues and profitability.

Third Party Intellectual Property Rights

The Company could become subject to litigation regarding intellectual property rights that could significantly harm its business. The Company's commercial success will also depend in part on its ability to make and sell its products without infringing on the patents or proprietary rights of third parties. Competitors, many of whom have substantially greater resources than the Company and have made significant investments in competing technologies or products, may seek to apply for and obtain patents that will prevent, limit or interfere with the Company's ability to make or sell its products.

Information Technology, Network and Data Security Risks

The business of the Company faces security risks. Any failure to adequately address these risks could have an adverse effect on the business and reputation of the Company. Computer viruses, break-ins, or other security problems could lead to misappropriation of proprietary information and interruptions or delays in the Company's business.

other risks

Share Price Fluctuation and Speculative Nature of Securities

The market price of the Company's shares could fluctuate substantially and such shares should be considered speculative securities. In addition, the equity markets in general, and the TSX Venture Exchange in particular, have experienced extreme price and volume fluctuations historically that have often been unrelated or disproportionate to the operating performance of listed companies. These broad market factors may affect the market price of the Company's shares adversely, regardless of its operating performance.

Volatility in the Price of Shares

The market for the Company's shares may be characterized by significant price volatility when compared to seasoned issuers, and management expects that the share price will be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. the Company may in the future be a target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention from day-to-day operations and consume resources, including cash.

Operating results may fluctuate as a result of a number of factors, many of which are outside of the control of the Company. The following factors may affect operating results: ability to compete; ability to attract customers; amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the business, operations and infrastructure; general economic conditions and those economic conditions specific to the bioplastics industry; the success of product line expansion; and ability to attract, motivate and retain top-quality employees.

Dividends

Management intends to retain any future earnings to support the development of the business of the Company and does not anticipate paying cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the board of directors of the Company after taking into account various factors, including but not limited to its financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that the Company may be a party to at the time. Accordingly, investors must rely on sales of the Company's shares after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase the Company's shares.

Dilution

Any additional offerings of securities effected by the Company may result in substantial dilution in the percentage of the Company's shares held by existing shareholders.

Control of the Company Potentially in the Hands of a Small Number of Shareholders

The Company's largest shareholder owns, directly or indirectly, or exercises control or direction over in the aggregate approximately 33% of the Company's shares on a fully diluted basis. Such shareholder may have the ability to determine the outcome of matters submitted to the shareholders of the Company for approval, including the election and removal of directors, amendments to the Company's corporate governing documents and business combinations. The Company's interests and those of such shareholder may at times conflict, and this conflict might be resolved against the Company's interests. The concentration of control in the hands of such shareholder may practically preclude an unsolicited bid for the Company, and this may adversely impact the value and trading price of the Company's shares.

Conflicts of Interest

The Company may contract with affiliated parties, members of management of the Company, or companies owned or controlled by members of management. These persons may obtain compensation and other benefits in transactions relating to the Company. Certain members of management of the Company will have other minor business activities other than the business of the Company, but each member of management intends to devote substantially all of their working hours to *good natured*® unless otherwise agreed to by the Company on a case-by-case basis. Although management intends to act fairly, there can be no assurance that the Company will not possibly enter into arrangements under terms one could argue are less favorable than what could have been obtained had the Company or any other company had been dealing with unrelated persons.

APPENDIX 2

cautionary note regarding forward-looking statements

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information, as defined in securities laws. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information. Forward-looking statements in this MD&A include all disclosure regarding possible events, conditions, circumstances or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this MD&A and can be identified by words such as "may", "estimates", "projects", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding", or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for the introduction or enhancement of its services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, and other expectations, intentions and plans that are not historical fact. The forward looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. The risk factors and uncertainties that may affect the Company's actual results, performance, achievements or developments are many and include the matters described in Appendix 1. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the Company cannot assure investors that actual results, performance, achievements or developments that the Company anticipates will be realized. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.