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

GOOD NATURED PRODUCTS INC.

Three and six months ended June 30, 2023 and 2022

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of good natured Products Inc. were prepared by management in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board. The most significant of these accounting principles have been disclosed in the notes to the unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements. The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

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

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements for the three and six months ended June 30, 2023 and 2022 in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	30-Jun		31-Dec
	2023		2022
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,205	\$	11,860
Trade and other receivables	8,591	·	9,360
Inventory (note 3)	10,856		12,663
Prepaid expenses	1,062		929
	33,714		34,812
Non-current assets:			
Property and equipment (note 5)	44,248		44,692
Right-of-use assets (note 6)	4,455		5,001
Customer relationships (note 7)	6,125		6,447
Intangible and other assets (note 7)	4,580		4,523
Goodwill (note 7)	8,920		8,966
	\$ 102,042	\$	104,441
Current liabilities: Accounts payable and accrued liabilities Current portion of long-term debt (note 9)	\$ 19,096 5,443	\$	18,265 6,593
	24,539		24,858
Non-Current liabilities	24,539		24,858
Non-Current liabilities:	ŕ		
Convertible debentures	16,382		16,079
Convertible debentures Mortgages	16,382 19,587		16,079 19,938
Convertible debentures Mortgages Credit Facility	16,382 19,587 13,725		16,079 19,938 13,854
Convertible debentures Mortgages Credit Facility Lease Liability	16,382 19,587 13,725 1,902		16,079 19,938 13,854 2,239
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8)	16,382 19,587 13,725 1,902 3,292		16,079 19,938 13,854 2,239 3,210
Convertible debentures Mortgages Credit Facility Lease Liability	16,382 19,587 13,725 1,902		16,079 19,938 13,854 2,239 3,210 2,035
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability	16,382 19,587 13,725 1,902 3,292 2,109		16,079 19,938 13,854 2,239 3,210 2,035 3,278
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity:	16,382 19,587 13,725 1,902 3,292 2,109 3,028		16,079 19,938 13,854 2,239 3,210 2,035 3,278
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity: Common share capital	16,382 19,587 13,725 1,902 3,292 2,109 3,028 60,025		16,079 19,938 13,854 2,239 3,210 2,035 3,278 60,633
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity: Common share capital Contributed surplus	16,382 19,587 13,725 1,902 3,292 2,109 3,028 60,025		16,079 19,938 13,854 2,239 3,210 2,035 3,278 60,633
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity: Common share capital Contributed surplus Foreign currency translation reserve	16,382 19,587 13,725 1,902 3,292 2,109 3,028 60,025		16,079 19,938 13,854 2,239 3,210 2,035 3,278 60,633
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity: Common share capital Contributed surplus	16,382 19,587 13,725 1,902 3,292 2,109 3,028 60,025 67,175 9,090 1,644 (60,431)		16,079 19,938 13,854 2,239 3,210 2,035 3,278 60,633 63,446 7,563 2,269 (54,328)
Convertible debentures Mortgages Credit Facility Lease Liability Other long-term debt (note 8) Contingent consideration liability Deferred income tax liabilities Shareholders' Equity: Common share capital Contributed surplus Foreign currency translation reserve	16,382 19,587 13,725 1,902 3,292 2,109 3,028 60,025 67,175 9,090 1,644		24,858 16,079 19,938 13,854 2,239 3,210 2,035 3,278 60,633 63,446 7,563 2,269 (54,328) 18,950

See accompanying notes to unaudited condensed consolidated interim financial statements.	
Approved on behalf of the Board:	

"Tami Kozikowski"	Director	"Keith Spencer"	Director

Consolidated Statements of Net Loss and Comprehensive Loss (In thousands except per share amounts) (Unaudited)

	Three months	ende	ed June 30 2022	Six months	ende	d June 30 2022
	2020		2022	2020		2022
Product revenue	18,282	\$	25,546	\$ 38,597	\$	51,482
Cost of product revenue (note 12)	(13,614)		(18,798)	(28,330)		(38,100)
Gross margin	4,668		6,748	10,267		13,382
Other (Expenses) Income:						
Selling, general, and administrative	(0.700)		(4.000)	(= == A)		(0.400)
(note 13)	(3,720)		(4,600)	(7,561)		(8,406)
Fulfilment and logistics	(1,709)		(2,244)	(3,617)		(4,497)
Share-based compensation (note 10(b			(574)	(797)		(1,175)
Depreciation and amortization	(613)		(300)	(1,240)		(971)
Financing costs	(1,796)		(1,318)	(3,595)		(2,293)
Foreign exchange loss	(143)		(789)	148		(763)
Loss on debt repayment and						
and conversion	-		(4)	-		(4)
Gain on interest free loan	-		15	42		15
Net loss before taxes	(3,707)		(3,066)	(6,353)		(4,712)
Deferred income tax recovery	125		54	250		108
Net loss for the period	(3,582)		(3,012)	(6,103)		(4,604)
Other comprehensive (loss) gain, net of	tax					
Items that may be reclassified subseque		loss:				
Unrealized currency gain (loss) on	, ,					
, ,	\$ (506)	\$	998	\$ (625)	\$	812
Comprehensive loss						
for the period	(4,088)		(2,014)	(6,728)		(3,792)
	· · /		, · /	, : /		, , , ,
Basic and diluted loss per share	\$ (0.02)	\$	(0.01)	\$ (0.03)	\$	(0.02)
Weight days and the "						
Weighted average shares outstanding – basic and diluted	246,071		223,151	243,929		222,689
Sacio ana anatoa	2-0,071		220,101	270,020		222,000

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

	Number of common shares	Common share capital	war	ontributed surplus- rants and nversion features	ntributed surplus- k options	Foreign currency translation reserve	Deficit	Equity
Balance at December 31, 2021	220,683	\$ 57,083	\$	3,310	\$ 2,573 \$	872	\$ (42,746)	\$ 21,092
Issuance of Special Warrants, net (note 10(a)) Shares issued upon warrant exercise Shares issued upon debenture conversion (note 10(a)) Shares issued upon option exercise (note 10(a)) Share based compensation (note 10(b,d)) Vested RSU & PSU incentive issuance (note 10(d))	1,989 217 229 - 71	323 50 43 -		6,093 (68) (4) -	- - (14) 1,175 (52)	-	- - - -	6,093 256 46 29 1,175
Net comprehensive loss	-	-			(02)	812	(4,604)	(3,792)
Balance at June 30, 2022	223,189	\$ 57,552	\$	9,331	\$ 3,682 \$	1,684	\$ (47,350)	\$ 24,899
Issuance of Special Warrants, net (note 10(a)) Shares issued upon warrant exercise Shares issued upon option exercise (note 10(a)) Share based compensation (note 10(b,d)) Vested RSU & PSU incentive issuance (note 10(d)) Net comprehensive loss	16,403 - 73 - 2,042	4,802 (4) 17 - 1,079		(5,134) - - - - -	- (6) 975 (1,285)	- - - - 585	- - - - (6,978)	(332) (4) 11 975 (206) (6,393)
Balance at December 31, 2022	241,707	\$ 63,446	\$	4,197	\$ 3,366 \$	2,269	\$ (54,328)	\$ 18,950
Issuance of common share, net (note 10(a)) Shares issued upon option exercise Vested RSU & PSU incentive issuance (note 10(d)) Share based compensation (note 10(b,d)) Net comprehensive loss	35,714 100 1,298 -	3,500 15 214 -		944 - - - -	- (214) 797 -	- - - - (625)	(6,103)	4,444 15 - 797 (6,728)
Balance at June 30, 2023	278,819	\$ 67,175	\$	5,141	\$ 3,949 \$	1,644	\$ (60,431)	\$ 17,478

See accompanying notes to unaudited condensed consolidated interim financial statements.

Consolidated Statements of Cash Flow (In thousands)

	Six mor 2023	ths ended	June 30 2022
	2023		2022
Cash provided by (used in):			
Operations:			
Net loss	\$ (6,103)	\$	(4,604)
Items not involving cash:			
Depreciation and amortization	1,716		1,364
Unrealized foreign exchange (gain) loss	(376)		472
Amortization of right of use assets	513		414
Share based compensation	797		1,175
Loss on debt repayment and conversion	- (40)		4
Gain on interest free loan	(42)		(15)
Gain on equipment disposal	2.505		(63)
Financing costs	3,595		2,293
Deferred income tax	(250)		(107)
	(150)		933
Changes in non-cash operating working capital:			
Trade and other receivables	769		556
Inventory	1,807		493
Prepaid expenses	(133)		(291)
Accounts payable and accrued liabilities	831 3,274		1,430 2,188
Finance costs paid	(3,065)		(1,754)
Cash provided by operating activities	59		1,367
Financing:			
Issuance of common shares and Special Warrants,			
net of issuance costs (note 10(a))	4,444		6,093
Exercise of warrants for common shares	- 		256
Exercise of options for common shares	15		29
Proceeds from long-term debt, net of issuance costs	2,539		1,191
Repayment of long-term debt	(4,076)		(1,222)
Proceeds from equipment sale leaseback	-		1,431
Cash provided by (used in) financing activities	2,922		7,778
Investments:			
Proceeds on equipment disposal	-		109
Purchase of equipment	(1,267)		(3,364)
Purchase of other assets	 ` (170)		(60)
Cash used in investing activities	 (1,437)		(3,315)
Effect of foreign exchange rate changes on cash	(199)		215
Increase in cash	1,345		6,045
Cash and cash equivalents, beginning of period	11,860		10,655
Cash and cash equivalents, end of period	13,205		16,700

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

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

1. Nature of Operations:

good natured Products Inc. (the "Company") is a Canadian company incorporated under the British Columbia Business Corporations Act. Its common shares are listed on the Canadian TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the symbol "GDNP" and on OTCQX Best Market in the United States under the symbol of "GDNPF". The Company's head office is located at 814 – 470 Granville Street, Vancouver, British Columbia, Canada. The Company offers a broad assortment of plant-based products made all, or in part, from the maximum possible amount of rapidly renewable resources. All the Company's operations are within the packaging and consumer goods manufacturing industry. The Company manufactures and/or sources over 400 products that are grouped into five business groups: General Merchandise, Packaging, Industrial, Commercial Supplies, and Services. The Company offers its products through wholesale, direct to business, and retail channels. The Company endeavors to convert the businesses' petroleum-based products and customers to plant-based alternatives within approximately 18 months of the closing of the acquisition.

The Company has continued to operate all of its North American facilities during the COVID-19 pandemic and continues to reinforce government-mandated measures implemented to mitigate health risks to employees, business partners and communities where the Company operates and prevent disruptions. The Company's operations have been deemed an essential business as defined by the US Department of Homeland Security and the Canadian provinces where it manufactures food packaging. To date, the Company has not experienced a material disruption to operations as a result of the COVID-19 pandemic. The impact of the ongoing COVID-19 pandemic on the demand for the Company's products, as well as on the Company's operations and those of its suppliers and customers, remains uncertain and cannot currently be predicted. The COVID-19 pandemic and the varying actions taken by government authorities and other businesses to reduce the spread could still directly or indirectly disrupt the Company's operations and/or those of its suppliers or customers, which in turn could adversely impact the business, financial position, results of operations and cash flow of the Company.

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

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2022, and have been prepared in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, these unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

These unaudited consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2023.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for items that are measured at fair value consisting of the contingent consideration liability.

- (c) Use of estimates, assumptions and judgments:
 - (i) Significant estimates and assumptions:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period during which the estimates are revised and in any future periods affected. Significant areas having estimation uncertainty include the following:

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

2. Basis of presentation (continued):

- (c) Use of estimates, assumptions, and judgments:
 - (i) Significant estimates (continued):

Going concern:

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

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

3. Inventory

	June 30 2023	Dec	cember 31 2022
Raw materials Finished goods	\$ 6,715 4.141	\$	7,548 5.115
Total	\$ 10,856	\$	12,663

During the three and six months ended June 30, 2023, inventory valued at \$9,647 and \$20,175 was expensed as cost of goods sold and reflected within cost of product revenue (2022 - \$15,050 and \$30,698).

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

4. Acquisition

FormTex Plastics Corporation

On July 1, 2022, the Company, through a wholly owned subsidiary, closed the acquisition of all the business and operating assets of Houston-based FormTex Plastics Corporation "("FormTex"") for cash consideration and an indebtedness holdback of approximately \$5,981 (or USD \$4,649).

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

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

Cash Indebtedness Holdback	\$ 5,304 677
Total Purchase Price	\$ 5,981
The following table summarizes the preliminary allocation of the purchase price:	
Accounts receivable Inventory	\$ 774 618
Manufacturing and other equipment	1,549
Right-of-use assets	1,083
Customer relationships	1,145
Intangibles and other assets	1,210
Goodwill	1,135
Current liabilities	(450)
Lease liabilities	(1,083)
Net assets acquired	\$ 5,981

Accounts receivable acquired are at full contract value. The goodwill is calculated as the difference between the purchase price and the fair value of the assets acquired and liabilities assumed and is attributable to expected synergies between FormTex and the Company's existing operations including the ability to convert FormTex customers to the Company's sustainable plastic offerings. The Company considers this as a cash generating unit ("CGU") and as such the goodwill generated from this acquisition has been allocated to this CGU.

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

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

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

5. Property and equipment:

	Land	Building	3		cumulated epreciation	Total		
Dec. 31, 2021	\$ 5,356	\$ 9,531	\$ 16,781	\$	197	\$	(1,402)	\$ 30,463
Additions Disposals	3,025	6,669 -	5,481 (243)		6		(1,912) 198	13,269 (45)
Foreign exchange	47	348	641		-		(31)	1,005
Dec. 31, 2022	\$ 8,428	\$ 16,548	\$ 22,660	\$	203	\$	(3,147)	\$ 44,692
Additions	-	143	1,124		-		(1,348)	(81)
Foreign exchange	(10)	(121)	(255)		-		23	(363)
June 30, 2023	\$ 8,418	\$ 16,570	\$ 23,529	\$	203	\$	(4,472)	\$ 44,248

On October 3, 2022, the Company completed the purchase of the land and buildings located at the Company's Ayr, Ontario manufacturing location for cash consideration of \$9,600 (the "Ayr Purchase"). The Ayr Purchase was funded by a \$6,500 non-revolving loan facility from HSBC Bank Canada ("HSBC") with a 5-year term and \$2,900 from the available \$3,900 credit facility with Business Development Bank of Canada ("BDC").

6. Right-of use-assets

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

	Cost	Accumulated amortization	Net Book Value
December 31, 2021	\$ 2,698	\$ (533)	\$ 2,165
Additions	3,438	(739)	2,699
Foreign exchange	151	(14)	137
December 31, 2022	\$ 6,287	\$ (1,286)	\$ 5,001
Additions	-	(513)	(513)
Foreign exchange	(45)	12	(33)
June 30, 2023	\$ 6,242	\$ (1,787)	\$ 4,455

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

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

	Customer Lists	Accumulated Amortization	Net Book Value
December 31, 2021	\$ 7,962	\$ (2,237)	\$ 5,725
Additions (note 4)	1,145	(523)	622
Foreign exchange	175	(75)	100
December 31, 2022	\$ 9,282	\$ (2,835)	\$ 6,447
Additions	-	(283)	(283)
Foreign exchange	(41)	2	(39)
June 30, 2023	\$ 9,241	\$ (3,116)	\$ 6,125

	Brand and Formulas	Other Assets	Accumulated Amortization	Net Book Value
December 31, 2021	\$ 2,200	\$ 979	\$ (54)	\$ 3,125
Additions (note 4)	-	1,411	(145)	1,266
Foreign exchange	_	133	(1)	132
December 31, 2022	\$ 2,200	\$ 2,523	\$ (200)	\$ 4,523
Additions	-	170	(85)	85
Foreign exchange	-	(28)	-	(28)
June 30, 2023	\$ 2,200	\$ 2,665	\$ (285)	\$ 4,580

Other assets consist of capitalized development costs and other intangibles.

	Goodwill	Accumulated Impairment	Net Book Value
December 31, 2021	\$ 7,684	\$ -	\$ 7,684
Additions (note 4)	1,135	-	1,135
Foreign exchange	147		147
December 31, 2022	\$ 8,966	\$ -	\$ 8,966
Foreign exchange	(46)		(46)
June 30, 2023	\$ 8,920	\$ -	\$ 8,920

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

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

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

8. Other Long-term debt:

	Vendor Notes	WINN Loan		Equipment Loans		Other debt		Total	
Dec. 31, 2021	\$ 4,334	\$	1,328	\$	-	\$	40	\$	5,702
Proceeds, net	-		28		3,030		-		3,058
Repayment	-		(268)		(484)		-		(752)
Accretion / Loss	-		102		73		-		175
Foreign Exchange	-		-		161		-		161
Dec. 31, 2022	\$ 4,334	\$	1,190	\$	2,780	\$	40	\$	8,344
Proceeds, net	-		68		622		-		690
Repayment	(1,111)		(233)		(348)		-		(1,692)
Accretion/Loss	-		22		-		-		22
Foreign exchange	-		-		(1)		-		(1)
June 30, 2023	\$ 3,223	\$	1,047	\$	3,053	\$	40	\$	7,363

9. Current Portion of Long-term debt:

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

	 vertible entures	Mor	tgages	Credit acility	ase bility	r Long- n debt	7	Total
2024	\$ -	\$	540	\$ -	\$ 832	\$ 4,071	\$	5,443
2025	1,315		544	-	916	1,870		4,645
2026	-		3,714	-	645	799		5,158
2027	17,250		420	14,559	311	552		33,092
2028 and beyond	-		14,909	-	30	249		15,188
	\$ 18,565	\$	20,127	\$ 14,559	\$ 2,734	\$ 7,541	\$	63,526

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

10. Share capital and share-based payments:

(a) Common and preferred share capital:

Authorized and issued:

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value, issuable in series.

As at June 30, 2023, 278,819 common shares were issued and outstanding (December 31, 2022 – 241,707).

Private Placement

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

The Company paid cash commission, legal and other related fees totaling \$556 and also granted 2,072 non-transferable 30-month compensation warrants to acquire 2,072 common shares of the Company at a price of \$0.14 per share. The fair value at grant date of the compensation warrants issued was \$86 based on the Black-Scholes pricing model and was recorded as a share issuance cost. Expected volatility was determined based on comparable publicly listed companies.

The inputs used in the measurement of the fair value of the warrants issued were:

Risk-free interest rate	4.48%
Dividend yield	0.00%
Expected life (years)	2.5
Volatility	54.67%
Forfeiture rate	0.0%
Common share price at grant date	\$0.13

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

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

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

Special Warrants Offering

In June 2022, the Company completed the offering of Special Warrants 16,403 at an issue price of \$0.40 per Special Warrant for gross proceeds of \$6,561. In connection with the Offering, the Company paid an aggregate cash commission of \$385, representing 6.0% of the aggregate gross proceeds of the Offering, and issued an aggregate of 963 Compensation Warrants representing 6.0% of the aggregate number of Special Warrants issued pursuant to the Offering. Each Compensation Warrant will be exercisable at a price of \$0.40 for one common share of the Company for 24 months from the closing date.

Pursuant to the terms of the Offering, each Special Warrant automatically converted, for no additional consideration and with no further action on the part of the holder thereof, into one unit of the Company (a "Unit") on October 4, 2022. Each Unit consists of one common share of the Company and one half of one common share purchase warrant of the Company.

Each full Warrant will entitle the holder thereof to acquire one common share of the Company at a price per Warrant Share of \$0.52 for a period of 24 months from the closing of the Offering. The expiry date of the Warrants is subject to acceleration upon 30 days' notice by the Company if the volume weighted average trading price of the common shares of the Company exceeds \$0.65 for a period of 20 consecutive trading days ending at any time following the date which is 12 months following the closing date of the Offering.

Shares for debenture conversion and debt repayment:

During the year ended December 31, 2022, the Company issued 217 shares at an average conversion price of \$0.23 per share pursuant to the conversion of \$50 of outstanding debentures.

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

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

(b) Share options:

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

			/eighted	
	Options	average exercise price		
Outstanding at December 31, 2021	8,032	\$	0.28	
Issuance of options Exercise of options Forfeiture of options	1,155 (302) (269)		0.66 0.13 0.82	
Outstanding at December 31, 2022	8,616	\$	0.30	
Issuance of options Exercise of options Forfeiture of options	1,052 (100) (302)		0.27 0.15 0.62	
Outstanding at June 30, 2023	9,266	\$	0.30	
Exercisable at June 30, 2023	6,662	\$	0.19	

			Weighted average
	Number	Number	remaining life
Range of exercise prices	outstanding	exercisable	(in years)
\$0.10 to \$0.15	4,400	3,845	5.2
\$0.16 to \$0.20	2,048	2,048	2.2
\$0.21 to \$0.39	1,207	208	8.3
\$0.40 to \$1.29	1,611	561	5.2
	9,266	6,662	4.9

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

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

(b) Share options (continued):

The weighted average fair value per option granted in the three months ended March 31, 2023 was \$0.27 (year ended December 31, 2022 - \$0.65). The fair value of options granted were measured based on the Black-Scholes pricing model. Expected volatility was determined based on comparable publicly listed companies. The inputs used in the measurement of the fair values at the modification and grant dates follows:

	Six months ended June 30, 2023	Year ended Dec. 31, 2022
Risk-free interest rate Dividend yield Expected life (years) Volatility Forfeiture rate Common share price at grant date	3.68% 0.00% 4 77.2% 0.0% \$0.24	0.30 - 3.75% 0.00% 4 77.8% 0.0% \$0.40-\$0.62

(c) Share purchase warrants:

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

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

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

(c) Share purchase warrants (continued):

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining life (in years)
June 1, 2024 (note 10(a)) June 1, 2024 (note 10(a)) Dec 21, 2026 (note 10(a)) Dec 21, 2026 (note 10(a))	8,201 963 35,714 2,072	0.52 0.40 0.19 0.14	0.9 0.9 2.5 2.5
	46,950	\$ 0.25	2.2

(d) Other equity incentives:

	RSUs	DSUs	PSUs	Total
December 31, 2021	2,996	128	493	3,617
Unit Issuance	2,647	-	2,667	5,314
Forfeiture	(543)	-	(213)	(756)
Share Issuance upon vesting	(1,553)	-	(561)	(2,114)
December 31, 2022	3,547	128	2,386	6,061
Unit Issuance	2,974	-	3,507	6,481
Forfeiture	(667)	-	(160)	(827)
Share Issuance upon vesting	(1,424)	(26)	- -	(1,450)
June 30, 2023	4,430	102	5,733	10,265

Pursuant to the Company's Omnibus Equity Incentive Compensation Plan, the Company issued restricted share units ("RSUs") which vest over a period of two or three years; deferred share units (DSUs) which vest over a period of two years; and performance share units (PSUs) which vest in accordance with the achievement of certain performance criteria over a period of three years.

Each unit entitles the holder to receive either one Common Share from treasury, the cash equivalent of one Common Share or a combination of cash and Common Shares, as the Board may determine in its sole discretion. The Company intends to settle these units in shares. The average value of the RSUs and DSUs was measured on the date of grant at \$0.24 per unit for a total of \$713 which will be amortized over the life of the respective terms (Year ended December 31, 2022 - \$0.61 - \$1,385).

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

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

11. Related party transactions

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

	Three months ended June 30				Six months ended June 30			
		2023		2022		2023		2022
Salaries, consulting and director fees	¢	329	\$	450	\$	726	\$	855
Share based payments	Ψ	174	φ	206	Ψ	404	Ψ	540
	\$	503	\$	656	\$	1,130	\$	1,395

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

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

12. Cost of product revenue:

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

	Th	Three months ended June 30				Six months ended June 3			
		2023		2022		2023		2022	
Variable cost of product	\$	11,602	\$	17,090	\$	24,304	\$	34,805	
Fixed factory overhead		1,482		1,253		2,964		2,536	
Depreciation		530		455		1,062		759	
	\$	13,614	\$	18,798	\$	28,330	\$	38,100	

Variable cost of product includes direct material, labour, and inbound freight.

Fixed factory overhead includes allocated costs such as utilities, insurance, maintenance, and property taxes.

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

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

	Т	Three months ended June 30				Six months ended June 30			
		2023		2022		2023		2022	
SG&A wages	\$	2,262	\$	2,304	\$	4,615	\$	4,390	
SG&A other		1,038		1,454		2,069		2,704	
Product development		142		196		308		388	
Acquisition related activity and									
One-time charges		278		646		569		924	
	\$	3,720	\$	4,600	\$	7,561	\$	8,406	

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

14. Segmented information:

All of the Company's operations are within the packaging and consumer goods manufacturing industry, and its major products are broken out into separate business groups: Industrial, Packaging, General Merchandise, Commercial Business Supplies, and Services. The majority of the Company's operations are performed within the United States and Canada, with 86% of total revenue coming from customers in the United States and 14% in Canada. 62% of the reportable segments assets are allocated in the Company's Canadian operations, and 38% are allocated to the Company's USA operations.

The Company's significant reportable segments aggregates its subsidiaries operating performance into five main business groups.

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

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

	Total	Industrial	Packaging	Mei	General chandise	Commercial Supplies	Services
June 30, 2023							
Revenue	\$ 18,282	\$ 8,904	\$ 8,669	\$	254	\$ 28	\$ 427
Net income, before corp. costs	1,394	(479)	1,423		268	14	168
Depreciation and Amortization	1,072	818	254				
Capital Expenditures	182	(47)	229				
Reportable segments assets	96,910	62,140	34,806				
June 30, 2022							
Revenue	\$ 25,546	\$ 19,925	\$ 4,745	\$	293	\$ 17	\$ 566
Net income, before corp. costs	2,372	2,141	-339		232	-8	332
Depreciation and Amortization	553	454	99				
Capital Expenditures	969	-56	1,025				
Reportable segments assets	64,927	50,450	14,477				

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

14. Segmented information (continued):

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

	Total	Industrial	Packaging	Me	General rchandise	Commercial Supplies	Services
June 30, 2023							
Revenue	\$ 38,597	\$ 19,398	\$ 17,709	\$	651	\$ 33	\$ 806
Net income, before corp. costs	3,259	(123)	2,651		481	14	236
Depreciation and Amortization	2,231	1,603	628		-	-	-
Capital Expenditures	875	308	567		-	-	-
Reportable segments assets	96,910	62,104	34,806				
June 30, 2022							_
Revenue	\$ 51,482	\$ 38,917	\$ 10,953	\$	605	\$ 37	\$ 970
Net income, before corp. costs	4,694	3,528	48		475	(4)	633
Depreciation and Amortization	1,999	1,782	217		-	-	-
Capital Expenditures	1,654	200	1,454		-	-	-
Reportable segments assets	64,927	50,450	14,477				

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

	Three mo	onths ending	Six months ending					
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022				
Reportable segment net income, before corp. costs	\$ 1,394	\$ 2,372	\$ 3,259	\$ 4,694				
Parent company costs (unallocated)	(1,877)	(1,822)	(3,601)	(3,291)				
SG&A (unallocated)	(278)	(646)	(569)	(924)				
Adjustments to reconcile to net loss before	ore taxes:							
Share based compensation	(394)	(574)	(797)	(1,175)				
Depreciation and amortization	(614)	(300)	(1,240)	(971)				
Financing costs	(1,796)	(1,318)	(3,595)	(2,293)				
Foreign exchange gain (loss)	(143)	(789)	(148)	(763)				
Loss on debt repayment and conversion	-	(4)	-	(4)				
Gain on interest free loan	-	15	42	15				
Net loss before taxes	\$ (3,707)	\$ (3,066)	\$ (6,353)	\$ (4,712)				

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

15. Supplementary cash flow information:

		Six months er 2023			
Non-cash investing activities: Acquisition of right of use asset via equipment lease	\$	-	\$	653	
Non-cash financing activities: Capitalized equipment lease liability Shares issued for conversion of debentures	\$ \$	- -	\$ \$	653 50	