

good natured Products Inc.

Management Discussion & Analysis for the Three and Nine Months Ended September 30, 2023

as at November 27, 2023



good natured Products Inc.
TSX-V: GDNP OTCQX: GDNPF

introduction

This Management's Discussion and Analysis ("MD&A") of good natured Products Inc. ("good natured®", "GDNP", "the Company", "management", "we", "us" or "our") is prepared as at November 27, 2023 and provides an analysis of the Company's financial results for the three and nine months ended September 30, 2023. The following information should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the year ended December 31, 2022 ("FY2022"), amended and restated annual financial statements and related notes for the year ended December 31, 2021 ("FY2021"), as well as the unaudited interim consolidated financial statements for the three months ("Q3 2023" and "Q3 2022") and nine months ("YTD 2023" and "YTD 2022") ended September 30, 2023 and 2022.

Unless otherwise indicated, all financial data in the MD&A was prepared with International Financial Reporting Standards ("IFRS") and all dollar figures are in thousands of Canadian dollars. This MD&A uses financial measures that are not defined by IFRS. Please refer to the section entitled "*non-IFRS financial measures*" for a complete description of these measures.

cautionary note regarding forward-looking statements

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information, as defined in securities laws. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information.

Forward-looking statements in this MD&A include all disclosure regarding possible events, conditions, circumstances, or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this MD&A and can be identified by words such as "may", "estimates",

"should", "will", "projects", "predicts", "targets", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding", or their corresponding negatives or other comparable words. Forward-looking statements include statements regarding the Company's estimate of anticipated revenue from its commercial contracts, the outlook for the Company's future operations; anticipated product development, plans and timing for the introduction or enhancement of its services and products; strategies or developments; future market and operating conditions; supply conditions; end customer demand conditions; channel inventory and sell through; forecasts of future costs and expenditures; future product sales and production volumes, expenses and costs; our customers, suppliers and partners; sources of capital, liquidity and our financial outlook; our business, financial condition and results of operations; and our beliefs, objectives, estimates, expectations, intentions and plans that are not historical fact.

The forward-looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. While management considers these assumptions to be reasonable based on information currently available, such information may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements.

There are many risk factors and uncertainties that may affect the Company's actual results, performance, achievements, or developments. For a more comprehensive discussion of factors that could affect the Company, refer to the "Risk Factors" section of the Annual Information Form of the Company dated April 26, 2023. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the Company cannot assure investors that actual results, performance, achievements, or developments that the Company anticipates will be realized. Forward-looking statements are based on the beliefs of management and reflect management's current plans, expectations, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking

statements contained in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

non-IFRS financial measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS measures.

The Company relies on the following non-IFRS measures in this MD&A.

Adjusted EBITDA

The Company employs Adjusted EBITDA internally to measure its operating and financial performance and to assist in business decision making. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use this non-IFRS measure as information to evaluate the Company's operating and financial performance. Adjusted EBITDA provides an indication of the Company's continuing capacity to generate income from operations before considering the Company's financing decisions, share compensation, costs of amortizing capital assets and other items that management believes are not reflective of the Company's underlying operating performance for the reporting period. Accordingly, Adjusted EBITDA comprises net income (loss) excluding financing costs, foreign exchange gains or losses, share compensation, amortization and depreciation, asset impairment, gains or losses on loans, acquisition related costs, selling, general and administrative ("**SG&A**") costs tied to acquisition activities, restructuring, one-time charges, operational process, engineering-related consultancy costs, asset impairment, and income taxes. With the Company focused on revenue growth and productivity improvements, Adjusted EBITDA

provides management a valuable, normalized metric for the evaluation of ongoing operating performance, strategic decisions, and future operating plans.

For a reconciliation of Adjusted EBITDA and net income (loss), the most directly comparable financial measure, see “Adjusted EBITDA” in the discussion of operations section below.

Variable Gross Margin & Variable Gross Profit

Variable Gross Margin (“**VGM**”) and Variable Gross Profit (“**VGP**”) are non-IFRS measures of the Company’s product margin and profit contribution without fixed factory overhead. Management believes that VGM and VGP provide deeper insight into normalized product margins and profit related to variable material input costs, inbound freight and labor costs associated with producing the goods being sold. VGM and VGP also reflect contribution absent of fluctuations due to changes in volumes from factors such as mix of insourced versus outsourced manufacturing to respond to specific customer requirements for multiple-facility production, depreciation from facility capital investments and the addition of manufacturing facility acquisitions with factory overhead charges.

For a reconciliation of Variable Gross Profit to gross profit and Variable Gross Margin to gross margin, the most directly comparable financial measures, see “Variable Gross Margin & Variable Gross Profit” in the discussion of operations section below.

SG&A Excluding Acquisition Costs and One-Time Charges

SG&A Excluding Acquisition and One-Time Charges is a non-IFRS measure that management believes allows for a more accurate evaluation of the Company’s ongoing SG&A costs to support its operations by disregarding one-time and/or periodic expenses associated with the execution of the Company’s growth-through-acquisition strategy.

For a reconciliation of SG&A Excluding Acquisition and One-Time Charges to SG&A, the most directly comparable financial measure, see “Selling, General and Administrative” in the discussion of operations section below.

company overview

good natured[®] is passionately pursuing its goal of becoming North America's leading earth-friendly product company by offering the broadest assortment of plant-based products made all, or in part, from renewable resources instead of fossil fuels. The Company is focused on making it easy and affordable for business owners and consumers to shift away from petroleum to *better everyday products*[®] that use more renewable materials, less fossil fuel, and no chemicals of concern¹.

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

The Company's customer base includes retailers, food producers, food packers, consumer product companies, restaurants, packaging manufacturers and other industrial processors across three key market segments – National, Regional and Small Business – all of which are supported by a combination of inside and outside sales teams. The Company also offers direct purchasing through its own e-commerce platform in the U.S. and Canada as well as through Amazon and other 3rd party channels.

good natured[®] carries on business across five business groups, namely Packaging, General Merchandise, Industrial, Commercial & Business Supplies and Services. *good natured*[®] offers consumers, business owners and operators plant-based alternatives to everyday petroleum-based products that are being used in homes and businesses. The vast majority of the Company's operations are performed within the U.S. and Canada. The Company is listed on the TSX Venture Exchange under the symbol "GDNP" and on the OTCQX Best Market under the symbol "GDNPF".

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

growth strategy

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

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

1. Organic growth driven by a "land and expand" sales strategy that includes:
 - a. acquiring new customers through direct-to-business and direct-to-consumer customer selling;
 - b. cross-selling additional products into the existing customer base; and
 - c. adding new sustainable product offerings that are relevant and complementary to the Company's most valuable customer segments.
2. Acquisitions focused on businesses that meet a combination of the following criteria:
 - a. diverse customer base;
 - b. large range of product offerings;
 - c. products that expand the Company's addressable market or product categories;
 - d. new sustainable materials, manufacturing or business development technology;
 - e. cross-selling opportunities to both parties' existing customer bases;
 - f. expansion into new market and/or geographies; and
 - g. strong supply chain capabilities and positive EBITDA.

The Company's targeted acquisitions may currently offer petroleum-based products that can be reformulated and re-launched using plant-based materials,

or the business may have commercially ready plant-based products that can immediately enhance the *good natured*[®] product assortment.

If the acquired business produces a petroleum-based product assortment, the Company will plan to convert the petroleum-based product offering to plant-based alternatives within approximately 18 months of closing the acquisition. The length of time to complete the conversion to plant-based materials will be primarily dependent on, but not limited to, the following factors:

1. the speed at which the Company can access and procure the required plant-based raw materials;
2. obligations the acquired business may have in place with its current raw materials suppliers;
3. existing raw material inventory levels;
4. seasonality or peak business periods, which may guide the optimal timing of raw material transitioning;
5. commercial agreements with customers of the acquired business that require the use of specific raw materials or processing methods to produce and/or certify their products; and
6. external supply chain disruptions that may limit availability and/or delay delivery of plant-based materials.

The Company intends to divest any of the acquiree's products and/or customer accounts that cannot be successfully converted to plant-based products over time and then re-invest the proceeds from any such divestiture back into the Company.

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

business model

The Company's business model is structured to engage a diverse mix of customers across a broad and complementary range of eco-friendly products. This is intentionally designed to maximize positive environmental impact by offering product options that are relevant to more businesses and consumers. This broad base of business also proved to be particularly relevant during the COVID-19 pandemic to provide revenue resilience and growth opportunities.

The Company acquires customers across four distinct market segments and tailors its sales and service interactions accordingly. The Company conducts the vast majority of its marketing and sales activities in North America, which includes National, Regional, Small Business and Direct-to-Consumer customers, and deploys its wide assortment of plant-based products and services across five business groups to tailor its sales and service offerings accordingly to these target segments. Sales cycles and gross margin rates will vary by market segment, target customers, business groups and individual product categories. The Company's National market segment typically has longer sales cycles and lower gross margin rates, while Direct-to-Consumer sales provide far shorter sales cycles and higher gross margin rates. Quarter over quarter, revenue mix by market segment, business group and product category will vary and will contribute to short-term variation in VGM and gross margin rates in each financial reporting period that may not be indicative of longer-term trends and the successful execution of the business model.

Through a combination of insourced and outsourced manufacturing, the Company's business model is designed to create a balance between accessing emerging manufacturing capabilities and investing in integrated economies of scale to deliver innovative and affordable plant-based products and packaging in the marketplace. As an example of this, the Company intends to use all or a portion of its wholly owned industrial extrusion manufacturing capacity to supply material to its thermoforming packaging manufacturing locations. With an ongoing focus on growing revenue within the higher-margin packaging segment of the business, the Company anticipates it will utilize more of its industrial extrusion capacity for internal manufacturing purposes over time and that revenue within the typically lower-margin industrial segment of the business will represent a lower percentage of the overall revenue mix.

recent developments

- On November 8, 2023, the Company announced that for the third consecutive year, it was named to the 2023 Deloitte Technology Fast 50™ list with 900% in revenue growth from 2019 to 2022.
- On October 11, 2023, the Company announced that it changed its auditor from Deloitte LLP to Grant Thornton LLP. This decision was taken as part of the Company's proactive efforts to review operating costs and vendor relationships across all functional areas of the business.

For additional information please refer to the Company's Annual Information Form for the year ended December 31, 2022, available on the Company's SEDAR profile at www.sedar.com as well as on the Company's investor website at investor.goodnatureproducts.com

overall performance

Selected Financial Information

The following tables summarize certain data from the financial statements of the Company for the periods ended September 30, 2023 and 2022, and as at September 30, 2023, December 31, 2022 and September 30, 2022.

		Three months ended Sep 30			Nine months ended Sep 30			
		2023		2022		2023		2022
Revenue	\$	19,397	\$	26,178	\$	57,994	\$	77,660
Adjusted EBITDA ¹	\$	703	\$	792	\$	1,423	\$	2,954
Net loss	\$	(3,240)	\$	(2,066)	\$	(9,343)	\$	(6,670)
Basic and diluted loss per common share	\$	(0.01)	\$	(0.01)	\$	(0.04)	\$	(0.02)

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

	Sep-23		Dec-22		Sep-22	
Assets	\$	103,149	\$	104,441	\$	105,534
Liabilities	\$	87,819	\$	85,491	\$	82,176
Asset to liability ratio	\$	1.17	\$	1.22	\$	1.28
Cash and cash equivalents	\$	11,120	\$	11,860	\$	11,342
Net working capital	\$	6,866	\$	9,954	\$	19,585

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

Selected Financial & Operational Highlights

The following are selected financial and operational highlights for the three months ended September 30, 2023:

- Achieved quarterly revenue of \$19,397 for Q3 2023 compared to \$26,178 for Q3 2022 and \$18,282 for the three months ended June 30, 2023 (“**Q2 2023**”).
- Generated VGM of 37% for Q3 2023 compared to 34% for Q3 2022 and 37% for Q2 2023.
- Gross margin was 27% for Q3 2023 compared to 27% for Q3 2022, and 26% for Q2 2023.
- SG&A expenses were \$3,411 in Q3 2023 compared to \$4,583 in Q3 2022 and \$3,720 in Q2 2023. As a percent of revenue, SG&A was 18% in Q3 2023 compared to 18% in Q3 2022 and 20% in Q2 2023.
- Fulfillment and logistics expenses were \$1,669 in Q3 2023 compared to \$2,595 in Q2 2022 and \$1,709 in Q2 2023. As a percent of revenue, fulfillment and logistics expenses was 9% for Q3 2023 compared to 10% in Q3 2022 and 9% in Q2 2023.
- Adjusted EBITDA for Q3 2023 was \$703, representing the Company’s eighth consecutive positive quarter, compared to \$792 for Q3 2022 and \$47 for Q2 2023.
- The Company recorded a net loss of \$3,240 in Q3 2023 compared to a net loss of \$2,066 in Q3 2022 and \$3,582 in Q2 2023.
- Cash and cash equivalents equaled \$11,120 as at September 30, 2023, compared to \$11,860 as at December 31, 2022.
- Cash used in operating activities for YTD 2023 was \$1,376 compared to \$522 generated in YTD 2022.
- Net working capital was \$6,866 as at September 30, 2023, compared to \$9,954 as at December 31, 2022.
- Total assets were \$103,149 as at September 30, 2023, compared to \$104,441 as at December 31, 2022.
- Total debt outstanding was \$61,040 as at September 30, 2023, compared to \$61,913 as at December 31, 2022.
- The Company’s asset-to-liability ratio was 1.17 as at September 30, 2023, compared to 1.22 as at December 31, 2022.

Key Acquisitions

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

On July 4, 2022, the Company completed the acquisition of all the business and operating assets of FormTex Plastics Corporation (“FormTex”) for cash consideration of approximately USD \$4,800. Founded in 1989, FormTex produces custom plastic packaging for the medical, food, electronic, industrial, and retail end markets. FormTex is ISO 9001:2015 certified in the design and manufacture of thermoplastic molded components and operates seven different thermoforming machines in a leased 51,000 square foot facility on 1.9 acres of land in Houston, Texas. The Company used cash from treasury to finance the acquisition and pay related integration costs.

discussion of operations

The following table summarizes certain data from the financial statements of the Company for the periods ended September 30, 2023 and 2022.

	3 mon ended Sep 30			9 mon ended Sep 30		
	2023	2022	+/-	2023	2022	+/-
Revenue	\$ 19,397	\$ 26,178	-26%	\$ 57,994	\$ 77,660	-25%
Variable cost of product	12,303	17,287	-29%	36,607	52,092	-30%
Variable Gross Profit ¹	7,094	8,891	-20%	21,387	25,568	-16%
Variable Gross Margin % ¹	36.6%	34.0%		36.9%	32.9%	
Fixed factory overhead	1,911	1,759	9%	5,937	5,054	17%
Gross profit	5,183	7,132	-27%	15,450	20,514	-25%
Gross margin %	26.7%	27.2%		26.6%	26.4%	
Fulfilment & logistics	1,669	2,595	-36%	5,286	7,092	-25%
SG&A, Excluding Acquisition Costs and One Time Charges ¹	3,335	4,206	-21%	10,327	11,688	-12%
Share-based compensation	675	381	77%	1,472	1,556	-5%
Depreciation	503	465	8%	1,743	1,436	21%
Financing costs	2,121	1,394	52%	5,716	3,687	55%
Foreign exchange gain (loss)	169	(611)	-128%	21	152	-86%
Loss on financing	-	445	-100%	-	449	-100%
Gain on interest free loan	-	-	-%	(42)	(15)	180%
Acquisition related expenses & one time charges ¹	76	377	-80%	645	1,301	-50%
Deferred income taxes recovery	(125)	(54)	131%	(375)	(162)	131%
Adjusted EBITDA ¹	\$ 703	\$ 792	-11%	\$ 1,423	\$ 2,954	-52%

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

Revenue

Revenue for Q3 2023 decreased 26% to \$19,397 as compared to \$26,178 for Q3 2022. Revenue for YTD 2023 decreased 25% to \$57,994 compared to \$77,660 for YTD 2022. Despite continued growth in the Company's Packaging business group, the change in revenue for Q3 2023 and YTD 2023 compared to Q3 2022 and YTD 2022 was a result of declines in Industrial business group revenue (see both the "Business Model" section above and "Revenue Mix by Business Group, Geography and Customer" section below for further details).

Revenue Mix by Business Group, Geography and Customer

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

Revenue Mix Contribution

	3 mon. ended Sep 30		9 mon. ended Sep 30	
	2023	2022	2023	2022
Revenue	\$ 19,397	\$ 26,178	\$ 57,994	\$ 77,660
Packaging	10,513	10,065	28,222	21,018
Industrial	8,132	15,193	27,530	54,110
General Merchandise	303	326	954	931
Commercial Supplies	6	25	39	62
Service / Other	443	569	1,249	1,539
Packaging %	54%	38%	49%	27%
Industrial %	42%	58%	48%	70%
General Merchandise %	2%	2%	1%	1%
Commercial Supplies %	<1%	<1%	<1%	<1%
Service / Other %	2%	2%	2%	2%
Revenue to US	90%	88%	87%	89%
Revenue to CA	10%	12%	13%	11%
Top 4 Customers	43%	30%	34%	26%

Packaging Business Group

For Q3 2023, revenue for the Packaging business group grew by 4%, or \$448 compared to Q3 2022. The year-over-year increase in Q3 2023 was driven by the addition of new customers, cross selling new products to existing customers, partially offset by lower blended average ASPs amongst the National

packaging segment. Packaging business group revenue grew by 34% or \$7,204 YTD 2023 compared to YTD 2022, driven by the aforementioned factors and the acquisition of FormTex in July 2022. The Packaging business group contributed 54% and 49% of total revenue for Q3 2023 and YTD 2023 compared to 38% and 27% for Q3 2022 and YTD 2022.

Industrial Business Group

For Q3 2023, revenue for the Industrial business group declined by 46%, or \$7,061 in comparison to Q3 2022 and 49% or \$26,580 for YTD 2023 in comparison to YTD 2022. The change in Industrial revenue in Q3 2023 and YTD 2023 was driven by an industry-wide decline in average selling prices, continued customer de-stocking, soft demand coupled with increased competitive pressure for commodity petroleum-based products, and an overall sector shift to just-in-time ordering.

The Industrial business group contributed 42% and 48% of total revenue for Q3 2023 and YTD 2023 compared to 58% and 70% for Q3 2022 and YTD 2022. The year-over-year decrease in the Industrial business group revenue mix in Q3 2023 and YTD 2023 was driven by a combination of a higher growth rate in Packaging business group revenue and a reduction in Industrial revenue as described above (see “Business Model” section for further insight into Industrial revenue mix strategy).

General Merchandise Group

For Q3 2023, revenue for the General Merchandise group declined by 7%, or \$23 in comparison to Q3 2022 and grew 2% or \$23 for YTD 2023 compared to YTD 2022. The year-over-year decline in Q3 2023 was driven by short-term out-of-stocks on certain top selling General Merchandise products sold through third-party eCommerce channels. The growth in YTD 2023 was driven by enhanced product offerings being added across both owned and third-party online channels.

Commercial & Business Supplies Business Group

For Q3 2023, revenue for the Commercial & Business Supplies business group declined by 76%, or \$19 compared to Q3 2022 and declined 37%, or \$23 for YTD 2023 compared to YTD 2022. The year-over-year decline in Q3 2023 and YTD 2023 was driven by the Company’s prioritization of its core Packaging business group.

Services Group

For Q3 2023, revenue for the Services business group declined by 22%, or \$126 in comparison to Q3 2022 and declined 19% or \$290 for YTD 2023 in comparison to YTD 2022. The year-over-year decline in Q3 2023 and YTD 2023 was driven by reduction in average selling price for FTL and LTL freight services, as well as a reduction of certain surcharge fees associated with supply chain disruptions in 2022.

Variable Gross Margin & Variable Gross Profit

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

	3 mon. ended Sep 30			9 mon. ended Sep 30		
	2023	2022	+/-	2023	2022	+/-
Revenue	\$ 19,397	\$ 26,178	-26%	\$ 57,994	\$ 77,660	-25%
Variable cost of product	12,303	17,287	-29%	36,607	52,092	-30%
Variable Gross Profit ¹	7,094	8,891	-20%	21,387	25,568	-16%
Variable Gross Margin % ¹	36.6%	34.0%		36.9%	32.9%	
Fixed factory overhead	1,911	1,759	9%	5,937	5,054	17%
Gross profit	5,183	7,132	-27%	15,450	20,514	-25%
Gross margin %	26.7%	27.2%		26.6%	26.4%	

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

Variable Gross Margin for Q3 2023 and YTD 2023 was 36.6% and 36.9% compared to 34.0% and 32.9% for Q3 2022 and YTD 2022 respectively. Variable Gross Margin will fluctuate over financial periods based on short-term revenue mix adjustments caused by completed acquisitions, market segment mix (National, Regional, Small Business, Direct to Consumer) and by business groups and product categories. The Company currently targets a Variable Gross Margin range of 28% to 35% on an annual basis.

Variable Gross Margin for Q3 2023 was largely influenced by the following factors:

- a higher mix of revenues from the Packaging business group in Q3 2023 as compared to Q3 2022, primarily driven by the addition of new customers, cross selling, and lower Industrial business group revenue mix contribution; and
- productivity enhancements in the variable cost of products, such as direct labor efficiency, as evidenced by the 29% decline in Q3 2023 variable cost

of products that exceeded the decline in revenue as compared to Q3 2022.

Gross Margin

Gross margin for Q3 2023 was 26.7% compared to 27.2% for Q3 2022. The decline in gross margin to Q3 2023 compared to Q3 2022 was due to increased overhead expense, primarily related to higher utility costs, and an increase in equipment depreciation. Gross margin for YTD 2023 was 26.6% compared to 26.4% for YTD 2022.

Gross margin reflects the deduction of fixed factory overhead, which includes manufacturing equipment depreciation and allocated costs such as utilities, insurance, maintenance, and property taxes. Gross margin will vary over financial periods based on revenue mix changes caused by completed acquisitions, customer mix (National, Regional, Small Business, Direct to Consumer), and by business groups and product categories. The Company currently targets a gross margin range of 21% to 28% on an annual basis.

Fulfilment & Logistics

The following is a breakdown of the material components of fulfilment and logistics expenses in Q3 2023 and YTD 2023 compared to Q3 2022 and YTD 2022:

	3 mon. ended Sep 30			9 mon. ended Sep 30		
	2023	2022	+/-	2023	2022	+/-
Fulfilment & Outsource fee	\$ 1,198	\$ 2,079	-42%	\$ 3,975	\$ 5,687	-30%
Warehousing and other	471	516	-9%	1,311	1,405	-7%
Total Fulfilment & Logistics	1,669	2,595	-36%	5,286	7,092	-25%
Total Fulfilment & Logistics as a % of Revenue	8.6%	9.9%		9.1%	9.1%	

Fulfilment and logistics expenses as a percentage of revenue for Q3 2023 and YTD 2023 was 8.6% and 9.1% compared to 9.9% and 9.1% for Q3 2022 and YTD 2022 respectively. Fulfillment and logistics costs in Q3 2023 decreased by 36% or \$926 compared to Q3 2022 and decreased 25% or \$1,806 YTD 2023 compared to YTD 2022. The decrease in fulfillment and logistics costs for Q3 2023 and YTD 2023 was driven by a decline in industrial shipments, lower LTL and FTL shipping rates, a reduction in inventory held at third party warehouses,

and lower outsource fee. This was partially offset by an increase in parcel shipments, which are typically more frequent and at lower volumes per shipment to support the Company's online sales channels, as well as a general industry-wide shift to just-in-time ordering discussed earlier.

Selling, General and Administrative

The following is a breakdown of the material components of SG&A expenses in Q3 2023 and YTD 2023 compared to Q3 2022 and YTD 2022, as well as a reconciliation of SG&A Excluding Acquisition Activity and One-Time Charges to SG&A, the most directly comparable financial measure:

	3 mon. ended Sep 30			+/-	9 mon. ended Sep 30		
	2023	2022			2023	2022	+/-
SG&A Wages	\$ 2,190	\$ 2,630	-17%	\$	6,805	\$ 7,020	-3%
SG&A Other	994	1,405	-29%		3,063	4,109	-25%
Product Development expense	151	171	-12%		459	559	-18%
Acquisition related expenses & one-time charges ¹	76	377	-80%		645	1,301	-50%
SG&A	3,411	4,583	-26%		10,972	12,989	-16%
SG&A % of Revenue	17.6%	17.5%			18.9%	16.7%	
SG&A Excluding Acquisition Activity & One-Time Charges ¹	3,335	4,206	-21%		10,327	11,688	-12%
SG&A % of Revenue Excluding Acquisition Activity & One-Time Charges ¹	17.2%	16.1%			17.8%	15.1%	
SG&A Wages % of Revenues	11.3%	10.0%			11.7%	9.0%	

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

SG&A expenses in Q3 2023 declined by 26% compared to Q3 2022. SG&A as a percent of revenue was 17.6% for Q3 2023 compared to 17.5% for Q3 2022, essentially unchanged, as the decline in total revenue was matched by an equivalent decline in SG&A expenses.

The change in SG&A expenses in Q3 2023 was due to the following factor(s):

- “SG&A Other” expenses declined by 29% or \$411 as compared to Q3 2022, largely as a result of the Company's efforts to reduce costs in areas such as legal and professional fees;
- wage expenses declined by 17% or \$440, reflecting a reduction in total headcount to 181 as at September 30, 2023 compared to 218 as at

September 30, 2022, which was partially offset by overall growth in average wage rates; and

- acquisition related expenses and one-time charges declined by 80% or \$301, as there were no material one-time charges associated with operating or financing activities in Q3 2023 and no acquisitions were completed in Q3 2023.

SG&A YTD 2023 decreased by 16% compared to YTD 2022 and represented 18.9% of total revenue compared to 16.7% for YTD 2022.

The change in SG&A expenses YTD 2023 was due to the following factor(s):

- “SG&A Other” expenses declined by 25% or \$1,046 as compared to YTD 2022 due to the same factors noted above;
- wage expenses decreased by 3% or \$215 as compared to YTD 2022, reflecting increased headcount associated with the FormTex acquisition, as well as overall growth in average wage rates, which was offset by overall headcount reductions noted above. Excluding the costs associated with the FormTex acquisition, wage expenses declined by 11% or \$739; and
- acquisition related expenses and one-time charges declined by 50% or \$656, as no acquisitions were completed YTD 2023.

On an annualized basis, Q3 2023 SG&A expenses would have totaled \$13,644 as compared to \$17,872 in fiscal 2022, representing \$4,228 in run-rate cost savings.

Adjusted EBITDA

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

	3 mon. ended Sep 30			9 mon. ended Sep 30		
	2023	2022	+/-	2023	2022	+/-
Net loss for the period	\$ (3,240)	\$ (2,066)	57%	\$ (9,343)	\$ (6,670)	40%
Share-based compensation	675	381	77%	1,472	1,556	-5%
Depreciation	503	465	8%	1,743	1,436	21%
Depreciation in COGS & SG&A	524	461	14%	1,586	1,220	30%
Financing costs	2,121	1,394	52%	5,716	3,687	55%
Foreign exchange loss (gain)	169	(611)	-128%	21	152	-86%
Gain on WINN Loan	-	-	-%	(42)	(15)	180%
Loss on financing	-	445	-100%	-	449	-100%
Acquisition related expenses & one-time charges	76	377	-80%	645	1,301	-50%
Deferred income taxes recovery	(125)	(54)	131%	(375)	(162)	131%
Adjusted EBITDA ¹	703	792	-11%	1,423	2,954	-52%

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

For Q3 2023, the Company recorded an Adjusted EBITDA of \$703 compared to \$792 for Q3 2022. Adjusted EBITDA for Q3 2023 as a percent of revenue was 3.6% compared to 3.0% in Q3 2022, as the decline in SG&A expenses slightly outpaced the decline in gross profit. Adjusted EBITDA YTD 2023 was \$1,423 or 2.5% of revenue compared to \$2,954 or 3.8% of revenue for YTD 2022.

The change in Adjusted EBITDA in Q3 2023 was primarily driven by the following factor(s):

- overall revenue declined by \$6,781 or 26% compared to Q3 2022 and variable cost of goods sold declined by \$4,984 or 29%, resulting in a \$1,797 or 20% decrease in Variable Gross Profit compared to Q3 2022; and
- the decline in gross profit contribution of \$1,949 slightly exceeded the decline in SG&A Excluding Acquisition Costs and One-Time Charges and fulfilment and logistics costs.

Net Loss

For Q3 2023, the Company incurred a net loss of \$3,240 or \$0.01 per Common Share compared to a net loss of \$2,066 or \$0.01 per Common Share in Q3 2022. For YTD 2023, the Company incurred a net loss of \$9,343 or \$0.04 per Common Share compared to a net loss of \$6,670 or \$0.03 per Common Share in YTD 2022.

In addition to factors already outlined above in the Adjusted EBITDA section, the change in net loss in Q3 2023 was driven primarily by the following factor(s):

- a \$780 increase in losses associated with foreign exchange;
- \$727 in additional financing costs associated with increased interest costs of variable rate debt and higher debt levels primarily associated with the purchase of the Company's Ayr, Ontario facility;
- no loss on financing recorded in Q3 2023 compared to \$445 charged in Q3 2022; and
- a \$294 increase in stock-based compensation associated with higher underlying share price volatility and number of incentive grants.

Financing Activity and Use of Proceeds

On June 21, 2023, the Company announced the closing of a brokered Private Placement. Upon closing of the Private Placement, the Company issued 35,714,282 Units, comprised of one Common Share and one warrant, at a price of \$0.14 per Unit for gross proceeds of \$5.0 million. The proceeds of the Private Placement are expected to be used by the Company for working capital to support organic growth initiatives and strategic acquisitions.

On October 3, 2022, the Company closed the purchase of the land and buildings of its Ayr, Ontario facility for cash consideration of approximately \$9.6 million (the "**Ayr Purchase**"), funded by a \$6.5 million non-revolving loan facility from HSBC Bank Canada ("**HSBC**") with a 5-year term and \$2.9 million from the available \$3.9 million second tranche of the credit facility with Business Development Bank of Canada ("**BDC**") that was previously announced on August 24, 2022.

On August 26, 2022, the Company announced it completed the Senior Credit Facility with Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**"), consisting of a USD \$30 million asset-based revolving credit facility with a 4-

year term and an uncommitted USD \$25 million revolving facility, available at the discretion of Wells Fargo. The initial draw on the Senior Credit Facility was used to retire \$13.7 million of outstanding credit facility debt with National Bank of Canada (“**National Bank**”).

On August 26, 2022, the Company announced it closed the Mortgage Refinancing with BDC for proceeds of \$6.6 million. Proceeds of the Mortgage Refinancing were used to retire \$6.6 million of outstanding non-revolving term credit facility with National Bank that was secured by a first mortgage on the Company’s Brampton, Ontario manufacturing location. BDC also made an additional \$3.9 million available as funding toward future capital projects.

On June 1, 2022, the Company announced the closing of a special warrant offering. Pursuant to the special warrant offering, the Company issued 16,402,500 special warrants for gross proceeds of \$6.56 million. The proceeds of the special warrant offering were used to acquire, through a wholly owned subsidiary, all the business and operating assets of Houston-based FormTex and for general working capital requirements.

On October 28, 2021, the Company closed an offering of convertible debentures for aggregate gross proceeds of \$17.25 million (the “**Convertible Debenture**”) and a \$35.8 million senior credit agreement with National Bank. The Company used the proceeds from the Convertible Debenture Offering and senior credit facility with National Bank to consolidate its remaining senior indebtedness with one senior secured debt financing partner (the “**Debt Refinancing**”). As part of this Debt Refinancing, the Company secured \$25.8 million in credit facilities for a total of \$43.3 million in debt financing with an additional uncommitted \$10 million in facilities available at the discretion of National Bank.

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

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

<u>Intended Use of Net Proceeds⁽¹⁾</u>	<u>Proposed Amount of Net Proceeds</u>	<u>Actual Use of Net Proceeds as of Sep. 30, 2023</u>	<u>Remaining to be Spent</u>
On June 21, 2023, the Company closed a brokered private placement, issuing 35,714,285 units at a price of \$0.14 per unit for aggregate gross proceeds of approximately \$5 million.			
Working Capital	\$3,419	\$1,076	\$2,343
Acquisitions	\$1,000	\$0	\$1,000
On October 3, 2022, the Company closed the purchase of the land and building at its Ayr, Ontario facility for cash consideration of approximately \$9.4 million, which was funded by a \$6.5 million non-revolving loan facility from HSBC with a 5-year term and \$2.9 million from the available \$3.9 million second tranche of the credit facility with BDC.			
Purchase of Ayr, Ontario facility and working capital	\$10,507	\$10,507	\$0
On August 26, 2022, the Company secured a USD \$30 million asset-based revolving credit facility and an uncommitted USD \$25 million revolving facility from Wells Fargo and a \$6.6 million mortgage with BDC for debt retirement, acquisitions, capital asset additions, working capital and general corporate purposes.			
Debt retirement, working capital, mortgage refinancing and growth initiatives ⁽²⁾	\$23,238	\$21,549	\$1,689
Special Warrant Offering for net proceeds \$6,093 on June 1 st 2022. The net proceeds were used to complete the acquisition of FormTex.			
Acquisition of FormTex	\$5,933	\$5,933	\$0
Convertible debenture offering of \$16,228 and closing of a senior credit facility with National Bank completed on October 28, 2021.			
Debt refinancing ⁽²⁾	\$34,552	\$31,087	\$3,465
Bought deal offering of 19,262,500 common shares at a price of \$1.20 per common share completed on March 4, 2021.			
Capital expansion projects ⁽²⁾	\$4,275	\$1,673	\$2,602
Future acquisitions ^{(2),(3)}	\$10,000	\$6,515	\$3,485

(1) Table does not include proceeds from financings that were intended to be applied to the Company's working capital.

(2) Monies remaining to be allocated were redirected to working capital, and/or to fund upcoming growth initiatives.

(3) The Company's capital projects have long-term completion dates and monies remaining to be spent will be deployed over coming quarters.

summary of selected quarterly results

The following table summarizes the results of the Company's operations for each of the eight (8) most recently completed quarters:

Three months ended		Sep. 2023		Jun. 2023		Mar. 2023		Dec. 2022
Revenues	\$	19,397	\$	18,282	\$	20,315	\$	23,306
Adjusted EBITDA ¹	\$	703	\$	47	\$	673	\$	5
Net income (loss)	\$	(3,240)	\$	(3,582)	\$	(2,521)	\$	(4,912)
Basic and diluted loss per common share	\$	(0.01)	\$	(0.02)	\$	(0.01)	\$	(0.02)
Three months ended		Sep. 2022		Jun. 2022		Mar. 2022		Dec. 2021
Revenues	\$	26,178	\$	25,546	\$	25,936	\$	22,860
Adjusted EBITDA ¹	\$	792	\$	1,005	\$	1,157	\$	540
Net income (loss)	\$	(2,066)	\$	(3,012)	\$	(1,592)	\$	(4,175)
Basic and diluted loss per common share	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.02)

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

Over the last eight quarters, the Company's quarter-over-quarter revenue growth has ranged from -13% to 27%. Factors that affected quarter-over-quarter revenue growth include, but are not limited to:

- the Company completed an acquisition in July 2022;
- the Company grew its active B2B customer base;
- in response to external supply chain and inflationary costs, the Company began increasing product pricing and implemented shipping surcharges in the second fiscal quarter of FY2021 that resulted in higher selling prices per unit;
- in Q3 2021, the Company commenced shipping commercial quantities to a large U.S. food producer, however shipment timing related to seasonality, and the rollout of new products from the food producer to its retail customers fluctuated from quarter to quarter;
- beginning late in Q3 2022 and continuing through Q4 2022 and YTD 2023, gross revenue from third-party industrial customers declined on a quarter-over-quarter basis, as management witnessed a general reduction in demand from the Company's Industrial thermoforming customers linked in part to softening macroeconomic conditions as

customers worked through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters; and

- lower input costs, reduced demand, increased competitive pressures for commoditized petroleum-based industrial products, and a general abatement in inflationary pressures led to lower average selling prices in the Industrial business group YTD 2023.

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

- the Company completed an acquisition in July 2022, resulting in increased quarterly gross profit contributions;
- in Q4 2021 and YTD 2022, additions to headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions, which resulted in increased SG&A costs;
- quarter to quarter fluctuations in share-based compensation associated with underlying changes in the share price, headcount increases from acquisition or news hires and share based compensation awards for executives;
- increased depreciation and amortization costs associated with the physical and intangible assets added through acquisitions;
- quarter to quarter fluctuations in FX rates, resulting in non-cash foreign exchange gains or losses;
- acquisition-related activity and one-time charges based on the number and size of acquisitions completed in any given quarter;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and acquisitions, which has resulted in increased financing costs;
- quarter to quarter fluctuations in interest rates, resulting in changes to interest costs associated with variable rate debt;
- external supply chain and inflationary cost increases in 2022 resulted in higher costs associated with logistics and fulfillment;
- in Q3 2022, the Company secured the Senior Credit Facility with Wells Fargo and closed a Mortgage Refinancing with BDC, the proceeds of which were used to retire all outstanding credit facility debt with National Bank. The financing resulted in the payment of cash interest penalties, transaction and legal costs and the non-cash write-down of deferred financing costs;

- beginning late in Q3 2022 and continuing through Q4 2022 and YTD 2023 the Company initiated productivity enhancements and cost reduction efforts aimed at reducing SG&A and direct labor expenses; and
- reduced demand, and a general abatement in inflationary pressures lead to lower input costs in the Industrial business group in YTD 2023 resulting in a decline in variable cost of product.

Additional details regarding these factors can be found in the Company's Amended and Restated MD&A for FY2021, the MD&A for FY2022. These MD&As should be read in conjunction with the respective consolidated financial statements.

The financial data above for the eight (8) most recently completed quarters was prepared in accordance with IFRS, except that Adjusted EBITDA is a non-IFRS measure (See "non-IFRS financial measures"). For additional information and discussion on prior quarters, please refer to the Company's SEDAR profile at www.sedar.com.

Liquidity

As at September 30, 2023, the Company had cash of \$11,120 net working capital of \$6,866 and \$61,040 of total debt, of which \$5,990 is classified as current. Total debt outstanding is comprised of \$20,067 in mortgages secured against land and buildings, \$16,541 in convertible debentures, \$13,816 outstanding on the Wells Fargo asset-based lending facility secured against certain current and non-current assets, \$5,291 in capital leases secured by equipment, \$3,223 in vendor notes and \$1,037 in other debt. As at September 30, 2023, the Wells Fargo facility had a potential borrowing capacity of \$25,161. The land and buildings that are secured against the Company's outstanding mortgages were valued in aggregate, as of the most recent third-party appraisal, at \$30,424.

As at December 31, 2022, the Company had cash of \$11,860, net working capital of \$9,954 and \$61,913 of total debt, of which \$6,593 was classified as current. Total debt was reduced by \$873 as at September 30, 2023 compared to December 31, 2022, as the Company made debt repayments of \$6,200 against \$4,740 in net debt proceeds, with \$804 and \$(67) attributed to changes in debt accretion and foreign exchange respectively. See the Company's unaudited interim consolidated Q3 2023 financial statements for further details.

On June 21, 2023, the Company closed the brokered Private Placement for gross proceeds of \$5,000. The proceeds are expected to be used by the Company for working capital to support organic growth initiatives and strategic acquisitions. See “Financing Activity and Use of Proceeds” section for further details.

On August 26, 2022, the Company successfully secured the Senior Credit Facility with Wells Fargo. As at June 30, 2023, the amount due on the Senior Credit Facility was \$13,725 (see “Financing Activity and Use of Proceeds” section for further details). As at June 30, 2023, the Company was in compliance with all associated covenants. As discussed in the “Recent Developments” section, on June 26, 2023, the Company announced amendments to the Wells Fargo Senior Credit Facility that fully waived the minimum EBITDA financial covenant for the three fiscal quarters ending June 30, 2023, September 30, 2023, and December 31, 2023 and increased the minimum liquidity requirement by \$1,000 until at least March 31, 2024.

On June 1, 2022, the Company closed a special warrant offering for gross proceeds of \$6,561. The proceeds of the special warrant offering were used, through a wholly owned subsidiary, to acquire all the business and operating assets of Houston-based FormTex. See “Financing Activity and Use of Proceeds” section for further details.

Management views liquidity risks associated with the financial instruments of the Company as immaterial. See “Financial Instruments” below.

Cash Flows

Below is a summary of cash flows provided by (used in) operating, financing, and investing activities in YTD 2023 compared to YTD 2022:

	9 months ended Sep 30		+/-	+/-
	2023	2022	\$	%
Cash provided by operating activities	\$ (1,376)	\$ 522	\$ (1,898)	-364%
Cash provided by (used in) financing activities	2,999	10,011	(7,012)	-70%
Cash used in investing activities	(2,344)	(10,654)	8,310	-78%
Effect of foreign exchange rate changes on cash	(19)	808	(827)	-102%
Net change in cash	(740)	687	(1,427)	-208%
Beginning cash	11,860	10,655	1,205	11%
Ending Cash	\$ 11,120	\$ 11,342	\$ (222)	-2%

Cash used in operating activities for YTD 2023 was \$1,376 compared to \$522 generated for YTD 2022. The operating cash generated for YTD 2023 was driven by a decrease in non-cash net working capital, which was primarily due to increases in accounts payables of \$3,645, decreases in inventory of \$808, and increases in accounts receivables of \$1,403. Cash used by operating activities also reflected finance costs paid of \$4,912 compared to \$2,841 in YTD 2022.

Cash generated by financing activities for YTD 2023 was \$2,999 compared to \$10,011 YTD 2022. YTD 2023, The Company received proceeds of \$4,459 from the issue of common shares and option exercises, net of costs and drew an additional \$4,740 from debt facilities, offset by the repayment of \$6,200 in debt split between vendor take back notes, Senior Credit Facility and other debt.

Cash use by investing activities in YTD 2023 was \$2,344 compared to \$10,654 in YTD 2022. YTD 2023, the Company invested \$2,131 in fixed assets. In YTD 2022, the Company invested \$5,134 in high-speed manufacturing equipment and robotics and completed the acquisition of FormTex in July 2022 (see “Key Acquisitions” section above for further details).

capital resources

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

Below is a summary of the Company's net working capital as at September 30, 2023, December 31, 2022 and September 30, 2022:

	Sep-23	Dec-22	Sep-22
Cash	11,120	11,860	11,342
Accounts Receivable	10,763	9,360	16,043
Inventory	11,855	12,663	17,326
Prepays	848	929	1,272
Accounts Payable	21,730	18,265	22,731
Current portion Long-term Debt	5,990	6,593	3,667
Net Working Capital	6,866	9,954	19,585

	Sep-23	Dec-22	Sep-22
Raw Materials	7,157	7,548	12,640
Finished Goods	4,698	5,115	4,686
Inventory	11,855	12,663	17,326

The change in net working capital from December 31, 2022 to September 30, 2023 is due primarily to:

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

As at September 30, 2023, the Company had leasing commitments related to the previously announced high speed extrusion line at the Company's Richmond manufacturing facility of US\$3,211.

outlook

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

The Company anticipates operating conditions may continue to be volatile due to macroeconomic and geo-political conditions. Management continues to prioritize servicing its existing customers, while seeking to acquire new customers that are interested in switching to sustainable products. The Company anticipates demand for sustainable products and staple goods to be resilient, however spending habits and demand levels for products could shift with changing macroeconomic conditions, and an economic slowdown may negatively impact financial results. The Company's believes its strategic positioning in the food supply chain will allow it to continue to capture end market demand, even if consumer spending habits shift in the coming quarters.

The Company is closely monitoring and collaborating with customers and suppliers on supply chain activity, and management has seen supply chain availability improvements following the build-up of inventory levels amongst the Company's Industrial thermoforming customers over the first half of FY2022 and a portion of Q3 2022 to minimize supply chain disruptions experienced in 2021. This build-up of inventory, when combined with rapid interest rate increases in 2022, resulted in reduced demand levels for industrial products beginning late in Q3 2022 and extending through Q3 2023. Management views the current market conditions for third-party industrial sales as entering a transitional period and anticipates a slow normalization in its Industrial business group through Q4 2023. The Company continues to focus on transitioning its industrial production capacity to support its packaging growth and robust pipeline that continues to perform with several new packaging deals expected to enter commercial production in the upcoming quarters.

The Company expects that the uncertain and changing macroeconomic backdrop could lead to some volatility in underlying fundamentals. In response, the Company remains focused on servicing its customers, cash management,

managing input and operating costs, and improving productivity to reduce working capital requirements.

The Company currently targets through its revenue mix contribution a Variable Gross Margin range of 28% to 35%, with a gross margin range of 21% to 28%. Changes in revenue mix associated with acquisitions, insourced versus outsourced manufacturing operations, and percentage of business from various business groups and market segments may change the Company's margin profile. This may contribute to short-term variation in Variable Gross Margin and gross margin in each financial reporting period that may not be indicative of longer-term trends and the successful execution of the business model.

The Company is keenly focused on executing its long-term strategy to prioritize its Packaging business group as the largest and most profitable segment of the business. Aside from external macroeconomic factors that may continue to create short-term volatility, the Company's strategy is expected to lead to a re-alignment of revenue percentage mix that shows an ongoing decline in the Company's Industrial business group as more extruded sheet production capacity is used to support internal manufacturing requirements.

off-balance sheet arrangements

As at September 30, 2023 and the date of this MD&A, the Company did not have any off-balance sheet arrangements.

transactions between related parties

The following table sets forth the remuneration of directors and key management personnel for Q3 2023 compared to Q3 2022:

	Three months ended Sep 30		Nine months ended Sep 30	
	2023	2022	2023	2022
Salaries, consulting and director fees	\$ 321	\$ 625	\$ 1,047	\$ 1,480
Share based payments	259	165	718	705
	\$ 580	\$ 790	\$ 1,765	\$ 2,185

As at September 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 as part of the June 2023 brokered private placement.

proposed transactions

As of the date of this MD&A, the Company does not have any proposed asset or business acquisitions or dispositions.

significant estimates and accounting policies

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, income, and expenses within the next financial year.

Financial Instruments

The Company enters financial instrument arrangements, which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, Financial Instruments. Key

judgments include whether the value of a contract changes in response to a change in an underlying rate, price, index, or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Share Based Payments and Warrants

Management uses estimates to determine the inputs to the Black-Scholes option pricing model including the expected plan lives and underlying share price volatility. Volatility is estimated by comparing to companies with similar operations over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in profit or loss.

Inventory Provision

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, revenue trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate provision is made. As at September 30, 2023, no inventory provisions were recorded.

Income Taxes and Recoverability of Deferred Tax Assets

In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing

tax laws in each jurisdiction. The Company believes relevant tax planning opportunities that are within the Company's control are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Depreciation and Amortization Rates for Intangible Assets, Property and Equipment

Depreciation and amortization expenses are allocated based on estimated asset lives and associated depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement of net loss and comprehensive loss prospectively.

Significant Judgments

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

The Directors have applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the three months ended September 30, 2023. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate.

The Company's significant accounting policies are disclosed in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

changes in accounting policies including initial adoption

The Company notes that there were no changes to significant accounting policies for the financial year ended 2022 and no significant accounting policies were adopted during the period.

financial instruments

The Company's financial instruments as at September 30, 2023 include cash, trade and other receivables, accounts payable and accrued liabilities, credit facilities, and loans.

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

Credit Risk

The Company's exposure to credit risk primarily arises from the possibility that its customers may fail to meet their obligations. The Company has credit evaluation, approval and monitoring processes in place which mitigates these potential credit risks. The Company continually evaluates the collectability of accounts receivable and records an allowance for doubtful accounts if required, which reduces the receivables by the amount of any expected credit losses. The failure of a significant customer could have a material adverse effect on the Company. As at September 30, 2023, trade and other receivables total \$10,763 (December 31, 2022, \$9,360). There is allowance for doubtful accounts of \$0 included in this balance, which management believes adequately reflects the Company's expected credit losses. The provision for allowance for doubtful accounts is recognized within operating expenses, if any.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations,

it will consider securing additional equity or debt funding. The Company's cash assets are currently invested in business accounts with high-credit quality financial institutions, which are available on demand by the Company.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, input materials price fluctuations, and foreign exchange rates. A portion of the Company's operations are performed in U.S. dollars. The Company currently does not engage in risk management practices such as hedging or derivatives.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Company's interest rate risk includes fluctuations in interest rates on the Company's existing debt.

For significant assumptions made in determining the fair value of financial instruments, see "significant estimates and accounting policies" above.

fair values hierarchy

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and/or
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount shown on the balance sheet approximates the Company's assessment of fair value.

outstanding share data

As of the date of this MD&A, the Company had outstanding:

Designation of Securities	Number of instruments outstanding as of the date of MD&A	Number of Common Shares issuable upon conversion or exercise
Common Shares	278,821,770	N/A-
Options	9,265,151	9,265,151
Other equity incentive compensation	10,263,389	10,263,389
Warrants	46,950,114	46,950,114
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		367,291,400

risk factors

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

controls and procedures

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented in the Interim Financial Statements, and (ii) the Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. In response to the covenant breach which has resulted in the refiling of the

Company's FY2021 financial statements. Management continues to evaluate its internal processes regarding covenant calculations to identify areas for improvement.

In contrast to the certificate required for non-venture issuers under NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Interim Financial Statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

additional information

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2022, is available on SEDAR at www.sedar.com as well as on the Company's investor website at investor.goodnatureproducts.com.