

Consolidated Financial Statements  
(Expressed in Canadian dollars)

# **GOOD NATURED PRODUCTS INC.**

Years ended December 31, 2023 and 2022

# Independent Auditor's Report

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To the Shareholders of  
good natured Products Inc.

## Opinion

We have audited the consolidated financial statements of good natured Products Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of net loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$15,481,000 during the year ended December 31, 2023, and as of that date, the Company has an accumulated deficit of \$68,809,000 and the Company's current liabilities exceed its current assets by \$1,431,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

***Assessment of the recoverable amount of customer relationships.***

Refer to Note 8 of the consolidated financial statements.

Customer relationships are recorded at \$1,603,000 as at December 31, 2023. This is following an impairment recognized during the year of \$4,184,000 recorded against the customer relationships intangible asset.

Management assesses customer relationships when an indicator of impairment exists. Impairment is recognized when the carrying amount of the customer relationships exceeds the recoverable amount. The recoverable amount is determined using the multi-period excess earnings method, which is based on the net present value of the customer relationships' specific cash flows. This model requires management to make significant assumptions, including revenue growth rates, attrition rate of acquired customers, required returns on contributory assets, and discount rate, which are all affected by expectations about future performance as well as market and economic conditions.

Given the significance of management's judgements and the subjectivity in the estimates used in determining the recoverable amount of the customer relationships, we have identified the assessment of the recoverable amount of the customer relationships as a key audit matter.

Our audit procedures included, amongst other procedures:

- We assessed management's indicator of impairment analysis, considering both internal and external factors for reasonableness;
- With the assistance of valuation professionals with specialized skills and knowledge:
  - we evaluated the Company's model, valuation methodology, terminal growth rate and discount rate, including assessing the reasonableness of the various inputs used to determine the discount rate by referencing current industry, economic and comparable company information, and Company and cash-flow specific risk premiums; and
  - we evaluated key assumptions used by management in estimating the fair value of the customer list including forecasted revenue, customer attrition rate, and expected margin on retained customers.

***Assessment of the recoverable amount of customer relationships and cash generating units ("CGU") to which goodwill has been allocated.***

Refer to Note 8 of the consolidated financial statements.

Goodwill is recorded at \$8,414,000 as at December 31, 2023. This is following an impairment recognized during the year of \$504,000 recorded against goodwill in the Houston and Ayr CGUs.

Management assesses at least annually, or when an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill and indefinite life intangible assets. Impairment is recognized when the carrying amount of goodwill exceeds the recoverable amount. The Company performs their annual impairment test as of October 1 and estimates the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated based on value in use using a discounted cash flow model. The value in use model requires management to make significant assumptions, including revenue growth rates, earnings growth (decline) rates, terminal growth rate and discount rate, which are all affected by expectations about future performance as well as market and economic conditions.

Given the significance of management's judgements and the subjectivity in the estimates used in determining the value in use of each CGU or group of CGUs, we have identified the assessment of the recoverable amount of CGUs or group of CGUs to which goodwill has been allocated as a key audit matter.

Our audit procedures included, amongst other procedures:

- We evaluated the reasonableness of management's estimates of future operating performance by comparing forecasts to management's business plan and historical operating performance;

- With the assistance of valuation professionals with specialized skills and knowledge:
  - we evaluated the Company's model, valuation methodology, terminal growth rate and discount rate, including assessing the reasonableness of the various inputs used to determine the discount rate by referencing current industry, economic and comparable company information, and Company and cash-flow specific risk premiums;
- We assessed how management addressed estimation uncertainty by obtaining support for management's sensitivity analysis and the disclosed sensitivity analysis; and
- We assessed the Company's disclosures included in Note 8 of the consolidated financial statements for appropriateness in accordance with IFRS Accounting Standards.

#### **Other matter – comparative information**

The consolidated financial statement of the Company as of and for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on April 26, 2023.

#### **Information other than the consolidated financial statements and auditor's report thereon**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert J. Riecken.



Vancouver, Canada  
April 29, 2024

Chartered Professional Accountants

# GOOD NATURED PRODUCTS INC.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	As at 31-Dec 2023	As at 31-Dec 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,300	\$ 11,860
Trade and other receivables	9,131	9,360
Inventory (note 5)	11,343	12,663
Prepaid expenses	907	929
Total current assets	28,681	34,812
Non-current assets:		
Property and equipment (note 6)	44,477	44,692
Right-of-use assets (note 7)	8,474	5,001
Customer relationships (note 8)	1,603	6,447
Intangible and other assets (note 8)	4,391	4,523
Goodwill (note 8)	8,414	8,966
Total assets	\$ 96,040	\$ 104,441
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,178	\$ 18,265
Contingent consideration liability (note 9(f))	2,183	-
Current portion of long-term debt (note 9)	6,751	6,593
Total current liabilities	30,112	24,858
Non-current liabilities:		
Credit facility (note 9(a))	13,513	13,854
Convertible debentures (note 9(b))	15,388	16,079
Mortgages (note 9c)	19,347	19,938
Lease liabilities (note 9(d))	5,465	2,239
Other long-term debt (note (e))	2,889	3,210
Contingent consideration liability (note 9(f))	-	2,035
Deferred income tax liabilities (note 12)	590	3,278
Total non-current liabilities	57,192	60,633
Shareholders' equity:		
Common share capital (note 10)	67,182	63,446
Contributed surplus	10,057	7,563
Foreign currency translation reserve	1,306	2,269
Deficit	(69,809)	(54,328)
Total shareholders' equity	8,736	18,950
Total liabilities and shareholder' equity	\$ 96,040	\$ 104,441

Nature of operations and going concern (note 1) & Subsequent events (note 19)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

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"Tami Kozikowski" Director

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"Keith Spencer" Director

# GOOD NATURED PRODUCTS INC.

Consolidated Statements of Net Loss and Comprehensive Loss  
(In thousands of Canadian dollars, except per share amounts)

	Year ended December 31	
	2023	2022
Product revenue (note 17)	\$ 76,583	\$ 100,966
Cost of product revenue (note 13)	(56,549)	(74,644)
Gross profit	20,034	26,322
Other (expenses) income:		
Selling, general, and administrative (note 14)	(14,794)	(17,872)
Fulfilment and logistics	(7,029)	(9,317)
Share-based compensation (note 10 (b,d))	(1,837)	(2,150)
Depreciation and amortization	(2,309)	(1,950)
Financing costs (note 9)	(7,676)	(5,550)
Foreign exchange gain (loss)	88	(847)
Loss on debt repayment and conversion (note 9)	-	(449)
Gain on interest free loan (note 9 (e(ii)))	42	15
Loss on asset impairment (note 8)	(4,688)	-
Net loss before taxes	(18,169)	(11,798)
Deferred income tax recovery (note 12)	2,688	216
Net loss for the year	\$ (15,481)	\$ (11,582)
Other comprehensive income (loss), net of tax		
Items that may be reclassified subsequently to profit or loss:		
Unrealized currency gain (loss) on translation of foreign operations	(963)	1,397
Total comprehensive loss for the year	\$ (16,444)	\$ (10,185)
Basic and diluted loss per share	\$ (0.06)	\$ (0.05)
Weighted average shares outstanding – basic and diluted	261,582	227,845

See accompanying notes to the consolidated financial statements.

# GOOD NATURED PRODUCTS INC

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

	Number of common shares	Common share capital	Contributed surplus- warrants and conversion features	Contributed surplus- stock options	Foreign currency translation reserve	Deficit	Equity
Balance at December 31, 2021	220,683	\$ 57,083	\$ 3,310	\$ 2,573	\$ 872	\$ (42,746)	\$ 21,092
Issuance of Special Warrants, net (note 10(a))	16,403	4,802	959	-	-	-	5,761
Shares issued upon warrant exercise	1,989	320	(68)	-	-	-	252
Shares issued upon debenture conversion (note 10(a))	217	50	(4)	-	-	-	46
Shares issued upon option exercise (note 10(b))	302	60	-	(20)	-	-	40
Share based compensation (note 10(b,d))	-	-	-	2,150	-	-	2,150
Vested RSU & PSU incentive issuance (note 10(d))	2,113	1,131	-	(1,337)	-	-	(206)
Net loss and comprehensive loss	-	-	-	-	1,397	(11,582)	(10,185)
Balance at December 31, 2022	241,707	\$ 63,446	\$ 4,197	\$ 3,366	\$ 2,269	\$ (54,328)	\$ 18,950
Issuance of common shares, net (note 10(a))	35,714	3,500	944	-	-	-	4,444
Shares issued upon option exercise (note 10(b))	100	15	-	-	-	-	15
Share based compensation (note 10(b,d))	-	-	-	1,837	-	-	1,837
Vested RSU & PSU incentive issuance (note 10(d))	1,519	221	-	(287)	-	-	(66)
Net loss and comprehensive loss	-	-	-	-	(963)	(15,481)	(16,444)
Balance at December 31, 2023	279,040	\$ 67,182	\$ 5,141	\$ 4,916	\$ 1,306	\$ (69,809)	\$ 8,736

Supplementary disclosure with respect to cash flows (note 18).

See accompanying notes to the consolidated financial statements.



# GOOD NATURED PRODUCTS INC.

## Consolidated Statements of Cash Flow

(In thousands of Canadian dollars)

	Year ended December 31	
	2023	2022
Cash provided by (used in):		
Operations:		
Net loss	\$ (15,481)	\$ (11,582)
Items not involving cash:		
Depreciation and amortization	3,266	2,579
Unrealized foreign exchange (gain) loss	(750)	416
Amortization of right of use assets	1,062	957
Share based compensation (note 10(b,d))	1,837	2,150
Loss on debt retirement and conversion	-	449
Gain on interest free loan	(42)	(15)
Gain on equipment disposal	-	(107)
Loss on asset impairment	4,688	-
Financing costs	7,676	5,550
Deferred income tax	(2,688)	(216)
Changes in non-cash operating working capital:		
Trade and other receivables	229	5,102
Inventory	1,320	4,170
Prepaid expenses	22	44
Accounts payable and accrued liabilities	2,913	(561)
Finance costs paid	(6,596)	(4,371)
Cash provided by (used in) operating activities	(2,544)	4,565
Financing:		
Issuance of common shares and Special Warrants, net of issuance costs (note 10(a))	4,444	5,540
Exercise of warrants for common shares	(66)	252
Exercise of options for common shares	15	40
Proceeds from long-term debt, net of issuance costs (note 9)	6,081	35,127
Repayment of long-term debt (note 9)	(9,641)	(25,927)
Proceeds from equipment sale leaseback	-	1,431
Cash provided by financing activities	833	16,463
Investments:		
Business acquisition (note 4)	-	(5,304)
Proceeds on equipment disposal	-	109
Purchase of land and building (note 6)	-	(9,623)
Purchase of equipment	(2,632)	(5,440)
Purchase of other assets	(73)	(264)
Cash used in investing activities	(2,705)	(20,522)
Effect of foreign exchange rate changes on cash	(144)	699
Increase (decrease) in cash	(4,560)	1,205
Cash and cash equivalents, beginning of year	11,860	10,655
Cash and cash equivalents, end of year	7,300	11,860

Supplementary disclosure with respect to cash flows (note 18).

See accompanying notes to the consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 1. Nature of Operations and Going Concern:

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 OTCQB Venture 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 of 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 recognized a net loss for the year ending December 31, 2023 of \$15,481, and realized cash used in operations of \$2,544. As at December 31, 2023, the Company has an accumulated deficit of \$69,809 and an excess of current liabilities over current assets of \$1,431. The continuing operations of the Company are dependent upon its ability to successfully complete discussions with its primary lender regarding future waivers, and successful renegotiations with its existing covenants. While the Company has successfully negotiated waivers in the past, there can be no assurance that the outcome of those discussions will be completed on a timely basis under terms acceptable to the Company.

The above conditions present material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 2. Basis of presentation:

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2024.

### (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. The Company has no significant financial instruments which are measured at fair value at December 31, 2023 with the exception of contingent consideration (note 9(f)).

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

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

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

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

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 2. Basis of presentation (continued):

(c) Use of estimates, assumptions and judgments:

(i) Significant estimates and assumptions (continued):

### *Fair value estimates associated with business combinations (note 4)*

In business combinations, the fair value of the assets acquired, and liabilities assumed, the fair value of consideration transferred including contingent consideration and the resulting goodwill, if any, requires that management make certain judgments and estimates taking into account information available at the time of acquisition about future events, it generally requires time to obtain the information necessary to identify and measure these items as of the acquisition date:

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the allowable measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The Company may also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

### *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.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 2. Basis of presentation (continued):

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

(i) Significant estimates and assumptions (continued):

### *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.

### *Goodwill and intangible assets with indefinite lives*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company has selected the first day of the fourth quarter as the time of the annual impairment test. The fair value methodologies used by the Company in testing goodwill and indefinite-lived intangible assets include assumptions related to sales trends, discount rates, market conditions and other assumptions that are judgmental in nature. If future economic conditions or operating performance, such as declines in sales or increases in discount rates, are different than those projected by management in its most recent impairment tests for goodwill and indefinite-lived intangible assets, future impairment charges may be required (note 8).

### *Share based payments and warrants:*

The critical estimates and assumptions underlying the measurement of share-based payments and warrants are set out in notes 10 (b), 10 (c) and 10(d) respectively.

(ii) Significant judgments:

### *Determination of a business*

Determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

In the years ended December 31, 2023 and 2022, the Company concluded that FormTex Plastics Corporation ("FormTex") met the definition of a business and, accordingly, the acquisition was accounted for as a business combination (note 4).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 2. Basis of presentation (continued):

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

(ii) Significant judgments (continued):

### *Functional currency*

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The Company has determined that its functional currency is the Canadian dollar for its Canadian subsidiaries and the United States dollar (“USD”) for its US subsidiaries. The determination of functional currency may require certain judgements to determine the primary economic environment and is determined based on the currency that mainly influences sales prices, labour, materials, other costs of sales and in which financing is raised. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

### *Going concern:*

Management applied judgment assessing the Company’s ability to continue as a going concern when preparing the consolidated financial statements for the year ended December 31, 2023. Management considered a wide range of factors including possible outcomes of discussions with its primary lender with regards to future waivers and renegotiations around its existing covenants. As a result of the assessment and as described in Note 1, management concluded the going concern basis of accounting is appropriate however there are material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets and liabilities and reported revenues and expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
 Years ended December 31, 2023 and 2022  
*(In thousands)*

### 3. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

#### (a) Basis of consolidation:

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2023. All subsidiaries of the Company are 100% owned.

Entity Name	Ownership %	Country of Incorporation
good natured Products (CAD) Inc.	100% owned	Canada
good natured Products (US) Inc.	100% owned	USA
Shepherd Thermoforming & Packaging Inc. ("Shepherd") <sup>1</sup>	100% owned	Canada
Good Natured Real Estate Holdings (Ontario) Inc. <sup>1</sup>	100% owned	Canada
Integrated Packaging Films GP Inc. ("IPF") <sup>1</sup>	100% owned	Canada
Mechar Amco Ltd. <sup>1</sup>	100% owned	Canada
IPF Holdings Inc. <sup>1</sup>	100% owned	Canada
1306187 BC Ltd.	100% owned	Canada
good natured Products Real Estate U.S. LLC	100% owned	USA
good natured Products (Illinois) LLC	100% owned	USA
good natured Products Texas U.S., LLC <sup>2</sup>	100% owned	USA
good natured Products Packaging Brampton LP (GNPPB) <sup>3</sup>	100% owned	Canada
good natured Products Industrial Canada LP (GNPIC) <sup>3</sup>	100% owned	Canada
good natured Products Packaging Canada LP (GNPPC) <sup>3</sup>	100% owned	Canada
good natured Products Direct LLC <sup>3</sup>	100% owned	USA
good natured Products Packaging US LLC <sup>3</sup>	100% owned	USA

<sup>1</sup> Acquired or incorporated during the year ended December 31, 2021.

<sup>2</sup> Acquired or incorporated during the year ended December 31, 2022.

<sup>3</sup> Acquired or incorporated during the year ended December 31, 2023.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions have been eliminated on consolidation. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
(In thousands)

## 3. Material accounting policies (continued):

### (b) Foreign currency translation:

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The presentation currency of these financial statements is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing the consolidated financial statements, the assets and liabilities are first expressed in the entity's respective functional currency and translated into the presentation currency using exchange rates prevailing at the reporting date, while the income and expense items are translated at the average exchange rates for the period. Translation differences are recognized in other comprehensive loss and recorded in the "foreign currency translation reserve" included in equity.

### (c) Business combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Contingent consideration is measured for fair value at its acquisition date and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments* with the corresponding gain or loss recognized in profit or loss.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. Goodwill may also arise as a result of the requirement under IFRS Accounting Standards to record a deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (d) Cash and cash equivalents:

Cash and cash equivalents comprise cash at banks and short-term deposits with a maturity of three months or less at the date of purchase. Cash equivalents at December 31, 2023 were \$237 (December 31, 2022 – \$595).

### (e) Inventory:

Inventory is carried at the lower of cost and net realizable value. Inventory cost is determined on the basis of first-in, first-out (“FIFO”) for finished goods and raw material. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### (f) Impairment:

#### (i) Financial assets:

The Company applies the simplified approach in determining expected credit losses, which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

#### (ii) Non-financial assets:

Non-financial assets are reviewed for impairment at each reporting date to determine whether events or changes in circumstances indicate that an asset’s carrying amount may be less than its recoverable amount. When there is any indication of impairment, the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, non-financial assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (f) Impairment:

#### (ii) Non-financial assets (continued):

An impairment loss is recognized if the carrying value of an asset, CGU or group of CGU's exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (g) Property and equipment:

Property and equipment are recorded at cost when acquired. Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment. Depreciation is charged using the following methods and rates:

Asset	Basis	Rate
Building	Straight line	30-40 years
Manufacturing equipment	Straight line	5-20 years
Other equipment	Straight line	2-5 years

### (h) Right-of-use assets:

The right-of-use assets are comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset consistent with the amortization policy by asset class (note 3 (g)). If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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(In thousands)

## 3. Material accounting policies (continued):

### (i) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recorded at its estimated fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are reflected in the statement of net loss in the period in which the expenditure is incurred.

Intangible assets consist of customer relationships acquired, brand acquired, proprietary formulas and formulations acquired, which include internally capitalized development costs, and other intangibles. Amortization is recognized in profit or loss on finite life intangible assets using the following methods and rates:

Intangible asset	Basis	Rate
Customer relationship	Straight line	12 years
Proprietary formulas and formulations	Straight line	10 years
Intangibles and other assets	Straight line	3-5 years

Brand, an indefinite life intangible asset, and goodwill are not amortized (note 8). The Company on a quarterly basis reviews for impairment indicators and assesses for impairment annually.

### (j) Product development:

Research costs are expensed as they are incurred. Product development costs are expensed as incurred except when they meet specific criteria for capitalization. Development activities involve a plan or design to produce new or substantially improved products and processes. Development costs are capitalized only if costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized when commercial production begins. During the year ended December 31, 2023, \$162 of development costs have been capitalized (year ended December 31, 2022 - \$201).

### (k) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (l) Impairment of property and equipment, intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances indicate an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. At the date of acquisition, goodwill is allocated to each CGU for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses. These CGU's represents the lowest level at which management monitors goodwill (note 8). The allocation of goodwill to the CGUs requires the use of judgment.

### (m) Share-based payment transactions:

Share-based compensation arrangements are measured at fair value and the fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For options granted to non-employees, the share-based compensation cost is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. For non-employees if the fair value cannot be estimated reliably, then the Company will measure the fair value by reference to the fair value of the equity instruments granted. The share-based compensation is measured at fair value at each vesting date and is recorded when goods or services from non-employees are received.

Stock option expense is initially recognized based on the fair value of the option at the grant date using the Black-Scholes option-pricing model, with a corresponding increase in contributed surplus. When stock options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are reclassified to share capital.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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(In thousands)

## 3. Material accounting policies (continued):

### (m) Share-based payment transactions (continued):

The RSUs and PSUs are awarded to executives and are measured at fair value, which is estimated based on the closing stock price of the Company at the grant date and using an option pricing model as appropriate. The fair value of the estimated number of RSUs and PSUs awarded, that are expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs and PSUs with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs and PSUs. The total amount recognized as an expense is adjusted to reflect the number of PSUs expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus.

DSUs awarded to non-executive directors will be settled in equity and are measured at the fair value which is determined based on the closing stock price of the Company at the grant date. The total amount is recognized as an expense at the grant date with the corresponding credit recognized in contributed surplus.

Management uses judgment to determine the inputs to the fair value estimates. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in profit or loss.

Share-based payment arrangements in which the Company receives goods or services as a consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (n) Income taxes:

Income tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are recognized as an expense and included in income or loss for the period, except to the extent that the tax arises from a transaction which is recognized in other comprehensive income or directly in equity.

Current tax expense is the amount of income taxes payable (recoverable) in respect of the taxable income (tax loss) for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, the carry-forward of unused tax losses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

### (o) Revenue recognition:

The Company recognizes the amount of revenue to which it expects to be entitled, for the transfer of promised goods or services to customers under a five-step model: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as a performance obligation is satisfied.

The Company generates revenue primarily through sale of products to various customers.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (p) Financial instruments:

#### (i) Financial assets:

Financial assets are classified and measured at: fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI”) and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. Measurement and classification of financial assets are dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### (ii) Financial assets at amortized cost (debt instruments):

The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (“SPPI”). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment testing. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired. The Company’s financial assets at amortized cost include:

- cash and cash equivalents; and
- trade and other receivables.

#### (iii) Financial assets at fair value through profit and loss (“FVTPL”):

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety.

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Company has transferred substantially all the risks and rewards of ownership. On derecognition, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (p) Financial instruments (continued):

#### (iv) Financial liabilities:

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

#### *Fair value through profit or loss:*

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

The Company recognizes the contingent consideration Liability at FVTPL (Note 9).

#### *Other financial liabilities :*

This category includes accounts payable and accrued liabilities, convertible debentures mortgages and other long-term debt and all of which are measured at amortized cost.

### (q) Lease liabilities:

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
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### 3. Material accounting policies (continued):

(r) Unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants using the relative fair value method whereby proceeds are allocated in proportion to estimates of the fair value of each component of the unit. Broker warrants associated with unit offerings are fair valued at the grant date using the Black-Scholes option-pricing model and recognized as share issue costs in equity.

(s) Share capital and contributed surplus:

Share capital and contributed surplus are classified as equity. Incremental costs directly attributable to increases in share capital and paid-in capital are recognized as a deduction from equity. When share capital and paid-in capital are reduced, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

(t) Basic and diluted net loss per share:

Basic net income per share is calculated by dividing the net loss for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year.

Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive. For the periods presented, the calculation of the diluted loss per share proved to be anti-dilutive. Accordingly, there is no difference in the amounts presented for the basic and diluted loss per share.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
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## 3. Material accounting policies (continued):

### (u) New standards and interpretations:

The following new standards and interpretations have been adopted since the release of the Company's financial statements for the year ended December 31, 2022.

#### *Disclosure of Accounting Policies (Amendments to IAS 1)*

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
Years ended December 31, 2023 and 2022  
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## 3. Material accounting policies (continued):

(u) New standards and interpretations (continued):

### *Definition of Accounting Estimates (Amendments to IAS 8)*

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)*

The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 4. Acquisition

### *FormTex Plastics Corporation*

On July 1, 2022, the Company, through a wholly owned subsidiary, closed the acquisition of all the business and operating assets of Houston-based FormTex Plastics Corporation (“FormTex”) for cash consideration of \$5,981 (or USD \$4,649). The acquisition of FormTex was accounted for as a business combination. The Company incurred \$275 in transaction costs.

The following table summarizes the final allocation of the purchase price:

Accounts receivable	\$	774
Inventory		618
Manufacturing and other equipment		1,549
Right-of-use assets		1,083
Customer relationships		1,145
Intangibles and other assets		1,210
Goodwill		1,135
Current liabilities		(450)
Lease liabilities		(1,083)
Net assets acquired	\$	5,981

Accounts receivable acquired are at full contract value. The goodwill is calculated as the difference between the purchase price and the fair value of the assets acquired and liabilities assumed and is attributable to expected synergies between FormTex and the Company’s existing operations including the ability to convert FormTex customers to the Company’s sustainable plastic offerings. Manufacturing know how, which comprises \$1,210 Intangibles and other assets acquired. The Company considers this as a CGU and as such the goodwill generated from this acquisition has been allocated to this CGU.

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.

## 5. Inventory:

	December 31, 2023	December 31, 2022
Raw materials	\$ 6,557	\$ 7,548
Finished goods	4,786	5,115
Total	\$ 11,343	\$ 12,663

During the year ended December 31, 2023, inventory valued at \$39,783 was expensed as cost of goods sold and reflected within cost of product revenue (December 31, 2022 - \$59,173).

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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 (In thousands)

## 6. Property and equipment:

	Land	Building	Manufacturing equipment	Other equip.	Accumulated depreciation	Total
Dec. 31, 2021	\$ 5,356	\$ 9,531	\$ 16,781	\$ 197	\$ (1,402)	\$ 30,463
Additions	3,025	6,669	5,481	6	(1,912)	13,269
Disposals	-	-	(243)	-	198	(45)
Foreign exchange	47	348	641	-	(31)	1,005
Dec. 31, 2022	\$ 8,428	\$ 16,548	\$ 22,660	\$ 203	\$ (3,147)	\$ 44,692
Additions	-	163	2,469	-	(2,471)	161
Foreign exchange	(10)	(125)	(265)	-	24	(376)
Dec. 31, 2023	\$ 8,418	\$ 16,586	\$ 24,864	\$ 203	\$ (5,594)	\$ 44,477

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 Business Development Bank of Canada ("BDC").

## 7. 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	4,568	(1,062)	3,506
Foreign exchange	(46)	13	(33)
December 31 2023	\$ 10,809	\$ (2,335)	\$ 8,474

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 8. 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		-		(619)	(619)
Impairment		(4,184)		-	(4,184)
Foreign exchange		(43)		2	(41)
December 31, 2023	\$	5,055	\$	(3,452)	\$ 1,603

The Company recognized an impairment loss of its acquired Customer Lists (note 4) of \$4,184 for the year ending December 31, 2023 (December 31, 2022 - \$0). As at December 31, 2023, the Company calculated the fair value of its Customer Lists of its Richmond, Ayr, and Houston CGU's at \$225, \$691, and \$689 respectively.

	Brand		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		-		73		(176)	(103)
Foreign exchange		-		(29)		-	(29)
December 31, 2023	\$	2,200	\$	2,567	\$	(376)	\$ 4,391

Other assets consist of capitalized development costs and other intangibles.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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*(In thousands)*

## 8. Customer relationships, intangible and other assets, and goodwill (continued):

	Goodwill		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
Additions		-	-
Impairment		(504)	(504)
Foreign exchange		(48)	(48)
December 31, 2023	\$	8,414	\$ 8,414

The Company operates four operating segments to which goodwill, generated through various acquisitions, has been allocated. These comprise the Richmond, Houston, Ayr and Brampton CGUs. All goodwill and intangibles are assessed and tested at the CGU, or group of CGU level to which they have been allocated.

The Company performs goodwill and indefinite life intangibles impairment testing annually or at any time if an indicator of impairment exists. In determining the recoverable amount of its CGUs, the Company estimates the value in use, which is determined using a discounted cash flow model. As of December 31, 2023, an impairment loss of \$504 (December 31, 2022: \$0) was recognized against its goodwill and brand.

The recoverable amount of the CGU is calculated using discounted cash flows over five years with a terminal value generated from continuing use of the group of CGUs. The method considers the projected operating cash flows by CGU. Specific cash flow estimates for each CGU are projected based on approved financial forecasts, annual growth assumptions, prescribed 3rd party margins on intercompany transactions, discount rates and a terminal growth rate of 2.0% to extrapolate the cash flow projections. A discount rate of 15.3%- 18.6% was used for each of its CGU's.

CGU	Carrying amount	Recoverable amount	Excess (deficit)
Richmond, Illinois	\$ 20,359	\$ 20,406	\$ 47
Houston, Texas	6,057	5,567	(490)
Ayr, Ontario	17,812	17,798	(14)
Brampton, Ontario	13,973	15,900	1,927
	\$ 58,201	\$ 59,672	\$ 1,470

The deficit of the value in use as compared to the CGU carrying amounts, was first allocated to goodwill. The estimated recoverable amount of the Company's Houston and Ayr operations

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 8. Customer relationships, intangible and other assets, and goodwill (continued):

exceeded their carrying value by \$490 and \$14 respectively, and resulted in an impairment against goodwill.

Management considered the following reasonably possible changes in key assumptions related to gross margin, long term growth assumptions and discount rate, leaving all other assumptions unchanged. The sensitivity analysis presented is prepared on the basis that the reasonably possible change in each key assumption does not have a consequential impact on other assumptions used in the impairment review. The associated impact on the impairment assessment is presented in the table below.

Recoverable amount by CGU, net of carrying amount				
	Richmond, Illinois	Houston, Texas	Ayr, Ontario	Brampton, Ontario
Base case at Dec 31, 2023	\$ 47	\$ (490)	\$ (14)	\$ 1,927
Change in gross margin %				
Decrease by 1%	(1,844)	(1,059)	(777)	665
Increase by 1%	1,940	80	748	3,189
Change in long-term growth %				
Decrease by 1%	(382)	(682)	(442)	1,162
Increase by 1%	548	(273)	468	2,787
Change in discount rate %				
Decrease by 1%	1,547	(192)	1,087	1,018
Increase by 1%	(1,243)	(751)	(990)	2,956



# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt:

	Credit Facility (a)	Convertible Debentures (b)	Mortgage (c)	Lease Liability (d)	Other Long- term debt (e)	Total
Dec. 31, 2021	\$ 19,429	\$ 15,548	\$ 3,446	\$ 2,230	\$ 5,702	\$ 46,355
Proceeds, net	17,080	-	17,000	1,574	3,058	38,712
Repayment	(24,057)	-	(202)	(881)	(752)	(25,892)
Conversion	-	(42)	-	-	-	(42)
Accretion / Loss	562	573	-	172	175	1,482
Foreign Exchange	840	-	236	61	161	1,298
Dec. 31, 2022	\$ 13,854	\$ 16,079	\$ 20,480	\$ 5,052	\$ 6,448	\$ 61,913
Proceeds, net	4,251	-	-	4,623	1,829	10,703
Repayment	(4,526)	-	(546)	(1,940)	(2,629)	(9,641)
Accretion / Loss	263	624	-	-	3	890
Foreign Exchange	(329)	-	(84)	(59)	(40)	(512)
Dec. 31, 2023	\$ 13,513	\$ 16,703	\$ 19,850	\$ 7,676	\$ 5,611	\$ 63,353

The table below summarizes the breakdown of the current and non-current portion of long-term debt:

	Credit Facility	Convertible Debentures	Mortgages	Lease Liability	Other Long- term debt	Contingent Earnout	Total
Current Portion	\$ -	\$ 1,315	\$ 503	\$ 2,211	\$ 2,722	\$ 2,183	\$ 8,934
Non-current portion	13,513	15,388	19,347	5,465	2,889	-	56,602
Total long-term debt	\$ 13,513	\$ 16,703	\$ 19,850	\$ 7,676	\$ 5,611	\$ 2,183	\$ 65,536

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

The required undiscounted annual repayments of the Company's long-term debt for the twelve months ending December 31 follow:

	Credit Facility	Convertible Debentures	Mortgages	Lease Liability	Other Long-term debt	Contingent Earnout	Total
2024	\$ -	\$ 1,315	\$ 503	\$ 2,211	\$ 2,722	\$ 2,183	\$ 8,934
2025	-	-	512	2,312	1,733	-	4,557
2026	14,215	17,250	3,749	2,018	698	-	37,930
2027	-	-	6,826	1,127	613	-	8,566
2028 and beyond	-	-	8,260	8	-	-	8,268
	\$14,215	\$ 18,565	\$ 19,850	\$ 7,676	\$ 5,766	\$ 2,183	\$ 68,255

### a) Credit Facility:

On August 26, 2022, the Company completed a USD \$55,000 financing (the "Senior Credit Facility") with Wells Fargo Bank, N.A. ("Wells Fargo"), through its wholly owned subsidiary Wells Fargo Capital Finance Corporation Canada, consisting of a USD \$30,000 asset-based revolving credit facility and an uncommitted USD \$25,000 revolving facility, available at the discretion of Wells Fargo. The term length of the revolving credit facility is the lesser of 5 years or 90 days prior to the maturity of the convertible debentures (October 31, 2026). The initial draw on the Senior Credit Facility and partial proceeds from the \$10,500 BDC Mortgage Refinancing (Note 9 (c)(iii)) were used to retire all outstanding debt with the Company's previous credit facility provider.

Since the original completion, the Company has completed several agreements with Wells Fargo amending the Credit Agreement. The major changes included: waiving all EBITDA requirements through the end of December 31, 2023; increasing the minimum liquidity requirement to \$6,000 effective February 29, 2024; and, reducing the revolving loan limit from USD \$30,000 to USD \$20,000.

The Senior Credit Facility will bear interest at the U.S. Secured Overnight Financing Rate ("SOFR") plus 2.50% - 3.00% subject to certain operating benchmarks. The Senior Credit Facility is secured by a general security interest over the assets of all existing and future subsidiaries of the Company. As of December 31, 2023, the Company is in compliance with all covenants.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

### b) Convertible Debentures:

	Debentures	Discount	Issuance Cost	Net Book Value
December 31, 2021	\$ 18,615	\$ (2,077)	\$ (990)	\$ 15,548
Conversion (i)	(50)	5	3	(42)
Accretion	-	382	191	573
December 31, 2022	\$ 18,565	\$ (1,690)	\$ (796)	\$ 16,079
Accretion	-	450	174	624
December 31, 2023	\$ 18,565	\$ (1,240)	\$ (622)	\$ 16,703

### (i) 2019 Convertible Debentures:

As at December 31, 2023, the Company has \$1,315 (December 31, 2022 – \$1,315) unsecured 10% convertible debentures due on December 30, 2024 (the “Maturity Date”). Each debenture is convertible, at the option of the holder, at any time prior to the close of business on the last business day immediately preceding the Maturity Date, into that number of common shares computed on the basis of the principal amount of the debentures divided by the conversion price set in the issue. The conversion price of the outstanding debenture is \$0.23 per common share. During the year ended December 31, 2022, \$50 of debentures were converted into 217 common shares.

The interest on the debentures is payable in cash on a semi-annual basis in arrears (May 31 and November 30).

The debentures are subject to an acceleration right exercisable by the Company, which will force the conversion of the debentures into common shares at the price set in the issue. This right is exercisable if the Company’s common shares trade at or above a volume-weighted average trade price on the TSX Venture Exchange (“TSX-V”) on any 20 consecutive trading days. If the acceleration right is exercised by the Company, the conversion of the Debentures into common shares will occur upon delivering a notice to the Debenture holder specifying the accelerated conversion date and concurrently issuing a press release to such effect. The Company has determined that the fair value of the acceleration right as at December 31, 2023, is of nominal value.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

### b) Convertible Debentures (continued):

#### (ii) 2021 Convertible Debentures:

On October 28, 2021, the Company closed the offering of publicly tradable convertible debentures for aggregate gross proceeds of \$17,250. The debentures mature on October 31, 2026, and accrue interest at the rate of 7.00%, payable semi-annually in arrears on April 30 and October 31 of each year, commencing April 30, 2022. The debentures are convertible at the holder's option into fully-paid common shares of the Company ("Shares") at any time prior to the earlier of October 31, 2026 and the business day immediately preceding the date fixed for any redemption. The conversion price is \$1.06 for each common share, subject to adjustment in certain circumstances.

At initial recognition, the \$17,250 proceeds were allocated into its debt and equity components using the residual value method. The fair value of the debt portion was estimated at \$15,252 using a discounted cash flow model method over the 5-year term using an effective interest rate of 10%. The remainder of the net proceeds were allocated to the equity component. The financial liability is recorded on an amortized cost basis.

Transaction costs of \$903 relate to the issuance of the convertible debentures were allocated to the liability and equity components in proportion of the gross proceeds of the offering. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are amortized over the life of the convertible debenture.

### c) Mortgages:

	HSBC (i)	BDC (ii)	Other (iii)	Total
December 31, 2021	\$ -	\$ -	\$ 3,446	\$ 3,446
Issue	6,500	10,500	-	17,000
Repayment	-	(140)	(62)	(202)
Foreign exchange	-	-	236	236
December 31, 2022	\$ 6,500	\$ 10,360	\$ 3,620	\$ 20,480
Repayment	(94)	(420)	(32)	(546)
Foreign exchange	-	-	(84)	(84)
December 31, 2023	\$ 6,406	\$ 9,940	\$ 3,504	\$ 19,850

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

### c) Mortgages (continued):

#### (i) HSBC

On September 6, 2022, the Company closed a \$6,500 mortgage with HSBC Bank Canada ("HSBC") to be applied towards the purchase of the land and buildings at the Company's Ayr, Ontario manufacturing facility (note 6). The mortgage is secured by a first mortgage on the property. Payments of principal and interest are made monthly over a 25 year period. The mortgage loan will bear interest at HSBC's Prime Rate plus 1.35%. The mortgage also includes customary covenants such as financial ratio maintenance, insurance maintenance, environmental regulatory compliance and limitations on, among other things additional debt, liens, and asset sales. As at December 31, 2023, the Company was in compliance with its covenants.

#### (ii) Business Development Bank of Canada:

On August 26, 2022, the Company closed a \$10,500 financing with Business Development Bank of Canada ("BDC"). \$6,600 of the BDC financing were used to retire an outstanding non-revolving term credit facility with National Bank that was secured by a first mortgage on the Company's Brampton, Ontario manufacturing location. The remaining BDC financing balance of \$3,900 was used towards the purchase of land and buildings at the Company's Ayr, Ontario manufacturing facility (note 6). The facility includes customary covenants on financial ratios. Payments of principal and interest are made monthly over a 25 year period. The BDC financing will bear interest at BDC's Base Rate minus 0.25%, with future downward adjustments, and is secured by, among other collateral, the land and buildings at Brampton. As at December 31, 2023, the Company was in compliance with its covenants (note 19).

#### (iii) Other Mortgage

In connection with an acquisition completed in May 2021, the Company's subsidiary entered into a \$2,766 USD (\$3,427) mortgage with a US regional bank bearing interest of US prime rate + 0.4% per year. The mortgage is repaid over five years by 59 monthly blended principal and interest payments of \$15 USD and a balloon payment of \$2,330 USD due on May 28, 2026. On July 28, 2023, the mortgage terms were revised to an interest rate of 8.9% per year, monthly principal and interest payments of \$25 USD and a balloon payment of \$2,514 USD on May 28, 2026. The mortgage is secured by the land and building included in the acquisition. The mortgage includes customary covenants such as insurance maintenance, environmental regulatory compliance and limitations on, among other things additional debt, liens, and asset sales. As at December 31, 2023, the Company was in compliance with its covenants.

The senior credit facility (a), HSBC mortgage (c(i)), EDC (e), and BDC mortgage (c(ii)) are parties to an intercreditor agreement dated August 22, 2022, and amended in October 4 2022, to include HSBC. which outlines the order of secured collateral priority. As at December 31, 2023, the Company was in compliance with all covenants with the associated parties.

# GOOD NATURED PRODUCTS INC.

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## 9. Long-term debt (continued):

### d) Lease Liability:

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease agreement or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost. On October 1, 2023 the Company committed to a leasing arrangement for high speed extrusion equipment at the Company's Richmond Facility for a USD\$3,494, bearing incremental borrowing interest rate of 10%, with the purpose of improving production output and efficiency within the Company's Industrial segment. At December 31, 2023 the undiscounted balance of the lease liability was USD\$3,489 (December 31, 2022 – USD\$0).

### e) Other long-term debt:

	Vendor notes (i)	WINN loan (ii)	Other loans	Total
Dec. 31, 2021	\$ 4,334	\$ 1,328	\$ 40	\$ 5,702
Proceeds, net	-	28	946	974
Repayment	-	(268)	(86)	(354)
Accretion / Loss	-	102	-	102
Foreign Exchange	-	-	24	24
Dec. 31, 2022	\$ 4,334	\$ 1,190	\$ 924	\$ 6,448
Proceeds, net	-	110	1,719	1,829
Repayment	(1,611)	(403)	(615)	(2,629)
Accretion / Loss	-	3	-	3
Foreign exchange	-	-	(40)	(40)
December 31, 2023	\$ 2,723	\$ 900	\$ 1,988	\$ 5,611

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

### (i) Vendor notes:

On May 12, 2020, the Company entered into a vendor note of \$500 bearing interest at 4% per year is payable to the former owners of Shepherd. Under the terms of an agreement with other lending parties to the Shepherd acquisition, the vendor has a subordinate interest and is secured by a second mortgage on the property. Interest is payable quarterly and started on August 10, 2020. The remaining principal is to be repaid on November 12, 2024.

A Vendor note of \$2,223 is payable to the former owners of IPF Holdings Inc. ("IPF Note"). Interest is payable quarterly beginning January 1, 2021. Principal of \$1,111 was repaid January 1, 2023. On December 1, 2023, the Company entered into an agreement that amended the IPF Note to increase the interest rate from 3.75% to the market rate of 5.75% effective January 1, 2024. In addition, the \$2,223 principal payment due on December 31, 2023 was amended to \$300 on January 8, 2024 and the balance in monthly instalments of \$40 beginning on February 1, 2024 and ending on August 31, 2027. The Company determined that the impact to the carrying value of the IPF Note, as a result of the amendment was insignificant. The amendment was accounted for as an extinguishment of the original financial liability and recognition of a new financial liability, without adjustment to the carrying amount due to the difference deemed to be not significant.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 9. Long-term debt (continued):

### e) Other long-term debt (continued):

#### (ii) Western Innovation Initiative loan:

On June 20, 2014, the Company entered into a Western Innovation Initiative Agreement with Western Economic Diversification Canada ("WINN"). The WINN agreement provided the Company with an interest-free, repayable loan of \$1,600 from the government.

On August 7, 2018, the Company entered into a second WINN agreement. The second WINN agreement provides the Company with an interest-free, repayable contribution from the government not to exceed \$850 towards total project cost estimated at \$1,750. The project funds are directed at the Company's development and commercialization of its non-toxic high-heat bioplastic food containers for the grocery, take-out, and consumer markets. Such funds are to be repaid monthly over five years commencing October 1, 2021. The claim period for shared project costs commenced April 1, 2018.

During 2022 and 2023, the Company agreed and WINN amended the monthly repayments for the first and second WINN grants. Full repayment will be completed July 1, 2025 and March 2027 for the first and second WINN loans respectively. At December 31, 2023, the undiscounted balance of the WINN loans is \$1,054 (December 31, 2022 - \$1,347).

As the funds were advanced, for 2023 the Company recognized a gain and discounted the WINN loan by \$42 as a result of the imputed interest benefit received from the interest-free WINN loan.

### f) Contingent Consideration Liability:

In conjunction with a completed acquisition in 2020, if the appraised value of the owned real estate is greater than or equal to \$9,500 at a date between the May 12, 2023 and May 12, 2025, the Company shall pay to the vendors an additional \$2,250 as early as May 12, 2024 or at the latest November 12, 2025 subject to the timing of the appraisal. If the appraised value is not greater than or equal to \$9,500 at a date between the May 12, 2023 and May 12, 2025, then the contingent earnout amount will be reduced to zero. In 2023, the contingent event occurred, and the amount is payable. The Company, on acquisition, recognized the contingent earnout at a fair value of \$1,674 using a discount rate of 7.4% and a payout date of May 12, 2024. After the payout date, monthly interest is due on any unpaid balance at a rate equal to the Bank of Montreal Canadian Prime Commercial Lending Rate plus 2% per annum until the earnout payment and accrued interest is paid in full. The contingent consideration liability is \$2,183 at December 31, 2023 (December 31, 2022 - \$2,035).



# GOOD NATURED PRODUCTS INC.

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## 10. Share capital and share-based payments:

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

Authorized and issued:

Unlimited number of common shares without par value.

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

As at December 31, 2023, 279,040 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 22,565 units of the private placement for total gross proceeds of \$3,159. The proceeds were allocated between share capital and warrants, which was determined using the residual value method, with common shares being valued at the trading price as of the date of the private placement.

The Company paid cash commission, legal and other related fees totaling \$531 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 the Company's historic trading prices.

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

Risk-free interest rate	4.5%
Dividend yield	0.0%
Expected life (years)	2.5
Volatility	54.7%
Forfeiture rate	0.0%
Common share price at grant date	\$0.1

# GOOD NATURED PRODUCTS INC.

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

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

#### *Special Warrants Offering:*

In June 2022, the Company completed the offering of 16,403 Special Warrants ("the offering") 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. The proceeds were allocated between share capital and warrants, which was determined using the residual value method, with common shares being valued at the trading price as of the date of the private placement.

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

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

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

# GOOD NATURED PRODUCTS INC.

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

### (b) Share options:

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

	Options	Weighted average exercise price
Outstanding at December 31, 2021	8,032	\$ 0.28
Issuance of options	1,155	0.66
Exercise of options	(302)	0.13
Forfeiture of options	(269)	0.82
Outstanding at December 31, 2022	8,616	\$ 0.30
Issuance of options	1,051	0.27
Exercise of options	(100)	0.15
Forfeiture of options	(941)	0.39
Outstanding at December 31, 2023	8,626	\$ 0.31
Exercisable at December 31, 2023	6,630	\$ 0.21

Range of exercise prices	Number outstanding	Number exercisable	Weighted average remaining life (in years)
\$0.10 to \$0.15	4,206	3,939	4.6
\$0.16 to \$0.20	1,768	1,768	1.8
\$0.21 to \$0.25	1,147	196	7.8
\$0.26 to \$1.29	1,505	727	4.7
	8,626	6,630	4.7

# GOOD NATURED PRODUCTS INC.

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

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

The weighted average fair value per option granted in the year ended December 31, 2023 was \$0.14 (year ended December 31, 2022 - \$0.66). In the year ended December 31, 2023, the Company recognized share based compensation expense of \$284 (year ended December 31, 2022 - \$269). 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:

	Year ended Dec. 31, 2023	Year ended Dec. 31, 2022
Risk-free interest rate	3.7%	0.3 – 3.8%
Dividend yield	0.00%	0.00%
Expected life (years)	4	4
Volatility	77.2%	77.8%
Forfeiture rate	0.0%	0.0%
Common share price at grant date	\$0.20	\$0.40-\$0.62

### (c) Share purchase warrants:

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

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

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

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining life (in years)
June 1, 2024 (note 10(a))	8,201	0.52	0.42
June 1, 2024 (note 10(a))	963	0.40	0.42
December 21, 2025 (note 10(a))	35,714	0.19	1.98
December 21, 2025 (note 10(a))	2,072	0.14	1.98
	46,950	\$ 0.25	1.67

### (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/cancellation	(543)	-	(213)	(756)
Share Issuance upon vesting	(1,553)	-	(561)	(2,114)
December 31, 2022	3,547	128	2,386	6,061
Unit Issuance	3,087	-	3,507	6,594
Forfeiture/cancellation	(1,190)	(16)	(609)	(1,815)
Share Issuance upon vesting	(1,436)	(36)	(47)	(1,519)
December 31, 2023	4,008	76	5,237	9,321

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. In the year ended December 31, 2023, the Company recognized share based compensation expense of \$1,553 (year ended December 31, 2022 - \$1,880).

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, which was the closing price of share on the date of grant, for a total of \$713 which will be amortized over the life of the respective terms (Year ended December 31, 2022 - \$0.64 - \$1,689).

The Company granted PSUs based on achievement of internal operating performance metrics as detailed by management. The total fair value for the PSUs of \$841 on date of grant, estimated using a Monte Carlo simulation approach, will be amortized over the life of the respective terms (year ended December 31, 2022 - \$534)

# GOOD NATURED PRODUCTS INC.

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## 11. Related party transactions:

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

	Year ended December 31	
	2023	2022
Salaries, consulting and director fees	\$ 1,359	\$ 1,961
Share based payments <sup>(i)</sup>	842	1,013
	\$ 2,201	\$ 2,974

(i) Share-based payments are the fair value of options granted and the amortized value of RSU, DSU, and PSU units granted to directors and key management personnel.

As at December 31, 2023, \$38 (December 31, 2022 - \$105) was due to directors and officers of the Company for accrued bonus, management, consulting, director fees and expense reimbursement.

Insiders, defined as executives, directors and entities holding 10% or more of the Company's equity, of the Company subscribed for \$3,159 of the \$5,000 private placement completed in June 2023 (note 10(a)).

## 12. Income taxes:

The income taxes recognized in profit or loss are as follows:

	Year ended December 31	
	2023	2022
Current tax expense	\$ -	\$ -
Deferred tax recovery	(2,688)	(216)
	\$ (2,688)	\$ (216)

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

	Year ended December 31	
	2023	2022
Loss before income taxes	\$ (18,169)	\$ (11,798)
Expected income tax recovery at 27.0% (2021 - 27.0%)	(4,906)	(3,185)
Permanent adjustments and other	2,393	292
Differing effective tax rates in other jurisdictions	626	87
Change in unrecognized deferred tax assets	(801)	2,590
Total income tax recovery	\$ (2,688)	\$ (216)

# GOOD NATURED PRODUCTS INC.

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## 12. Income taxes (continued):

The approximate tax effect of each item that gives rise to the Company's recognized deferred tax assets and liabilities as December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Net operating loss carry forwards	\$ 5,350	\$ 1,417
Deferred tax liabilities:		
Intangible assets	(2,089)	(1,445)
Property, plant and equipment	(2,762)	(2,347)
Long-term debt and other	(1,089)	(902)
	\$ (590)	\$ (3,278)

The Company's movement of net deferred tax liabilities is described below:

	Year ended December 31 2023	2022
At January 1	\$ (3,278)	\$ (3,493)
Deferred income tax (expense) recovery	2,688	216
Equity	-	(1)
At December 31	\$ (590)	\$ (3,278)

The Company has the following deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized:

	December 31, 2023	December 31, 2022
Non-capital losses	\$ 34,187	\$ 37,258
Property and equipment	68	721
Intangible assets	5,021	4,022
Financing fees	8,627	2,216
Other	3,166	3,324
	\$ 51,039	\$ 47,541

At December 31, 2023 the Company has non-capital loss carried forward in Canada and USA aggregating \$50,039 (December 31, 2022 - \$40,765) which expires over the period between 2035 and 2041, available to offset future taxable income in Canada.

Tax attributes are subject to review, and potential adjustment, by a competent authority.

In addition, the Company has \$633 (December 31, 2022 - \$633) of SR&ED expenditure pool which is available to reduce future taxable income. This amount carries forward indefinitely.

# GOOD NATURED PRODUCTS INC.

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## 13. Cost of product revenue:

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

	Year ended December 31	
	2023	2022
Variable cost of product	\$ 48,749	\$ 67,744
Fixed factory overhead	5,732	5,238
Depreciation	2,068	1,662
	\$ 56,549	\$ 74,644

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.

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

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

	Year ended December 31	
	2023	2022
SG&A wages	\$ 9,148	\$ 9,488
SG&A other	3,815	5,479
Product development	620	741
Acquisition related activity and one-time charges	1,211	2,164
	\$ 14,794	\$ 17,872

## 15. Management of capital:

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. In the management of capital, the Company includes loans, share capital and contributed surplus.

In order to maintain its capital structure, the Company, is dependent on debt and equity funding and when necessary, raises capital through issuance of equity instruments. The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. To date, no dividends have been paid to the Company's shareholders and none are planned.

The Company is subject to certain covenants on its credit facility and long-term debt. Along with customary covenants such as limitations on, among other things, additional debt, liens, investments, acquisitions and capital expenditures, future dividends and asset sales, the loans require maintenance of minimum liquidity amounts and EBITDA targets. Other than these required covenants, the Company is not subject to any externally imposed capital requirements. The Company is in compliance with all covenants which have not been previously waived as of December 31, 2023.



# GOOD NATURED PRODUCTS INC.

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## 16. Financial risk management and financial instruments:

(a) Overview:

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic growth objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

(b) Market risk:

Market risk is the risk that changes in market prices, such as fluctuations in the prices of inputs for materials, foreign exchange rates or interest rates, will affect the Company's income or the value of its financial instruments. The Company does not engage in risk management practices such as hedging or derivatives.

A portion of the Company's operations are performed in US dollars, giving rise to exposure to market risks from foreign exchange rates.

(c) Currency risk:

(i) Exposure to currency risk:

The Company is exposed to financial risks because of exchange rate fluctuations and the volatility of these rates. At December 31, 2023, total assets include cash of USD\$4,970 (December 31, 2022 - USD\$7,294) and receivables of US\$6,349 (December 31, 2022 - US\$5,703); total liabilities include payables and accruals of US\$12,490 (December 31, 2022 - US\$9,091), and long-term debt of US\$20,102 (December 31, 2022 - US\$17,311).

(ii) Sensitivity analysis:

A change of the US dollar against the Canadian dollar as at December 31, 2023, and 2022 would have increased or decreased net loss by the amount shown below. The analysis assumes that all other variables remain constant.

	2023	Profit or loss 2022
10% change of the US dollar	\$ 2,127	\$ 1,341

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## 16. Financial risk management and financial instruments (continued):

### (d) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company mitigates liquidity risk by holding sufficient cash and cash equivalents to meet its short-term financial obligations. The Company's growth is primarily financed through the issuance of equity and debt. Most of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days.

The following are the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	Less than 1 year	Year 2	Year 3	Year 4+
Non-derivative financial liabilities:						
Trade and other payables and accrued liabilities	\$ 21,178	\$ 21,178	\$ 21,178	\$ -	\$ -	\$ -
Loans payable	65,536	68,255	8,934	4,557	37,930	16,834
	<u>\$ 86,714</u>	<u>\$ 89,433</u>	<u>\$ 30,112</u>	<u>\$ 4,557</u>	<u>\$ 37,930</u>	<u>\$ 16,834</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As at December 31, 2023, the Company had issued letters of credit to key suppliers totaling USD\$7,250 (December 31, 2022 – USD\$2,400).

### (e) 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. At December 31, 2023, trade and other receivables total \$9,131 (December 31, 2022 - \$9,360). There is allowance for doubtful accounts of \$36 included in this balance (December 31, 2022 - \$20), 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.

# GOOD NATURED PRODUCTS INC.

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## 16. Financial risk management and financial instruments (continued):

(f) Fair values of financial instruments:

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: Values based upon unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based upon prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The Company's borrowings are at both fixed and floating rates to offset financial risk, with most carried at a variable rate. The carrying value of the credit facility and long-term debt, approximates their fair values as the interest rate environment has not materially impacted their fair values since the date of issue. The Company's 2019 Convertible Debentures and 2021 Convertible debentures are fixed rate debt at 10% and 7% and principal balances outstanding of \$1,315 and \$17,250 respectively (note 9(b)).

The Company has no financial instruments which are measured at fair value at December 31, 2023 with the exception of contingent consideration (note 9(f)) which are considered Level 2. The value of the contingent consideration is based on appraised value of the underlying real estate asset.

# GOOD NATURED PRODUCTS INC.

Notes to Consolidated Financial Statements  
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## 17. 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 87% of total revenue coming from customers in the United States and 13% in Canada. 48% of the reportable segments assets are allocated in the Company's Canadian operations, and 52% are allocated to the Company's USA operations.

For the year ended December 31, 2023 and 2022, 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 top 4 customers for the year ended December 31, 2023 represented 33% of total revenues (year ended December 31, 2022 – 24%).

The following is a breakdown of the Company's operating performance by business group for the year ended December 31, 2023 and 2022.

	Total	Industrial	Packaging	General Merchandise	Commercial Supplies	Services
<b>Dec. 31, 2022</b>						
Revenue	\$ 100,966	\$ 66,776	\$ 30,862	\$ 1,308	\$ 80	\$ 1,940
Net income, before corp. costs	8,164	4,187	2,758	14	9	1,196
Depreciation and Amortization	3,557	2,719	838	-	-	-
Capital Expenditures	17,570	13,026	4,544	-	-	-
Reportable segments assets	78,231	53,679	24,552			
<b>Dec. 31, 2023</b>						
Revenue	\$ 76,583	\$ 35,931	\$ 37,636	\$ 1,256	\$ 48	\$ 1,712
Net income, before corp. costs	6,655	(1,073)	6,953	342	(21)	412
Depreciation and Amortization	4,239	2,993	1,246	-	-	-
Capital Expenditures	2,197	856	1,341	-	-	-
Reportable segments assets	84,864	57,912	29,752			

# GOOD NATURED PRODUCTS INC.

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## 17. Segmented information (continued):

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

	Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segment net income, before corp. costs	\$ 6,655	\$ 8,164
Parent company costs (unallocated)	(7,233)	(6,867)
SG&A (unallocated)	(5,676)	(2,572)
<i>Adjustments to reconcile to net loss before taxes:</i>		
Share based compensation	(1,837)	(2,150)
Depreciation and amortization	(2,309)	(1,950)
Financing costs	(7,676)	(5,550)
Foreign exchange gain (loss)	(88)	(847)
Loss on debt repayment and conversion	-	(1,148)
Gain on interest free loan	42	15
Net loss before taxes	\$ (17,946)	\$ (11,798)

## 18. Supplementary cash flow information:

	Year ended December 31	
	2023	2022
Non-cash investing activities:		
Capitalized equipment and real estate lease asset	\$ 4,623	\$ 1,031
Business acquisition funded by contingent consideration liability (note 4)	\$ -	\$ 677
Non-cash financing activities:		
Capitalized equipment and real estate lease liability	\$ 4,623	\$ 1,440
Shares issued for conversion of debentures	\$ -	\$ 46

# GOOD NATURED PRODUCTS INC.

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## 19. Subsequent events:

- a) On February 14, 2024, the Company announced the launch of a non-brokered private placement financing (the "Offering") for 33,333 units (the "Units") of the Company at a price of \$0.06 per Unit (the "Issue Price") for aggregate gross proceeds of \$2,000. In order to accommodate potential demand from existing and/or new shareholders, the Offering is also subject to an over-allotment option, allowing the Company to issue an additional 50,000 Units for gross proceeds of \$3,000. Each Unit will consist of one common share in the capital of the Company (a "Unit Share") and one common share purchase warrant (a "Warrant") of the Company. Each Warrant will entitle the holder thereof to acquire one common share (a "Warrant Share") at an exercise price per Warrant Share of \$0.08 for a period of 30 months from the closing of the Offering

All securities to be issued pursuant to the above referenced Offering will be subject to a statutory four-month hold period. The Offering is subject to a number of conditions, including without limitation, approval of the TSX Venture Exchange.

- b) On February 26, 2024, the Company refinanced the mortgage outstanding with Business Development Bank of Canada ("BDC") on the land and building located at its Brampton, Ontario facility. The BDC mortgage will be refinanced with a \$12,900 3-year fixed rate mortgage, featuring a 25-year amortization period. Principal and interest will be paid monthly at a rate within a range of 5.8% - 6.2% per annum. The rate will be fixed at 5.75% for a three year term. The Company anticipates receiving net proceeds of approximately \$2,100 following repayment of the BDC mortgage and the remaining vendor take back loan associated with the Shepherd Thermoforming & Packaging Inc. acquisition.
- c) On January 4, 2024, an aggregate of share options to purchase 1,177 common shares were granted to employees, executive management and members of the Company's board of directors, with an exercise price of \$0.07 per common share. Twenty-five percent (25%) of each grant vests on January 4, 2025 with the balance vesting in equal monthly increments over the following three years. Each option is exercisable, once vested, for a period of seven years from the date of the grant. 947 of the share options described were granted to members of the Company's board of directors and executive management.
- d) The Company also granted an aggregate of:
- 2,862 PSUs, of which 2,862 PSUs were issued to executive management, vesting in accordance with certain peer group share price performance criteria for the 2024 calendar year established by the board of directors of the Company; and
  - 4,104 RSUs, of which 3,414 were issued to members of the board of directors and executive management, vesting 1/3 per year on each of January 4, 2025, January 4, 2026 and January 4, 2027.