good natured Products Inc.

Management Discussion & Analysis
for the Three and Twelve Months Ended December 31, 2023

as at April 29, 2024

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

introduction

This Management's Discussion and Analysis ("**MD&A**") of good natured Products Inc. ("*good natured®*", "GDNP", "the Company", "management", "we", "us" or "our") is prepared as at April 29, 2024 and provides an analysis of the Company's financial results for the three and twelve months ended December 31, 2023 ("**Q4 2023**" and "**FY2023**"). The following information should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the year ended December 31, 2023 ("**FY2023**"), amended and restated annual financial statements and related notes for the year ended December 31, 2022 ("**FY2022**"), and annual financial statements and related notes for the year ended December 31, 2021 ("**FY2021**").

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

cautionary note regarding forward-looking statements

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

Forward-looking statements in this MD&A include all disclosure regarding possible events, conditions, circumstances, or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this MD&A and can be identified by words such as "may", "estimates", "should", "will", “projects”, "predicts", "targets", “expects”, “intends”, “believes”, “plans”, “anticipates”, “continue”, “growing”, “expanding”, or their corresponding negatives or other comparable words. Forward-looking statements include statements regarding the Company’s estimate of anticipated revenue from its commercial contracts, the outlook for the Company’s future operations; anticipated product development, plans and timing for the introduction or enhancement of its services and products; strategies or developments; future market and operating conditions; supply conditions; end customer demand conditions; channel inventory and sell through; forecasts of future costs and expenditures; future product sales and production volumes, expenses and costs; our customers, suppliers and partners; sources of capital, liquidity and our financial outlook; our business, financial condition and results of operations; and our beliefs, objectives, estimates, expectations, intentions and plans that are not historical fact.

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

There are many risk factors and uncertainties that may affect the Company’s actual results, performance, achievements, or developments. For a more comprehensive discussion of factors that could affect the Company, refer to the “Risk Factors” section of the Annual Information Form of the Company dated April 29, 2024. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the Company cannot assure investors that actual results, performance, achievements, or developments that the Company anticipates will be realized. Forward-looking statements are based on the beliefs of management and reflect management’s current plans, expectations, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

non-IFRS financial measures

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

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

Adjusted EBITDA

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

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

Variable Gross Margin & Variable Gross Profit

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

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

SG&A Excluding Acquisition Costs and One-Time Charges

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

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

Net Working Capital Excluding Current Portion of Long-Term Debt

Net Working Capital Excluding Current Portion of Long-Term Debt is a non-IFRS measure that management has included as another metric to evaluate the Company's net working capital position. This measure is used to provide the readers better insight and comparability between reporting periods on the Company's net working capital position, without consideration of the certain reclassifications of the current portion of long-term debt.

For a reconciliation of Net Working Capital Excluding Current Portion of Long-Term Debt to net working capital, the most directly comparable financial measure, see "Selected Financial Information" in the Overall Performance section below.

company overview

good natured® is at the forefront of North America's shift toward sustainability, showcasing over 90 plant-based packaging designs and an extensive portfolio of more than 400 products and services. These offerings are purposefully designed to reduce environmental impact by using more renewable materials, less fossil fuel, and eliminating chemicals of concern.

Manufactured locally in the US and Canada, *good natured®* engineers and distributes a diverse range of bio-based products across various sectors, including grocery, restaurant, electronics, automotive, and pharmaceutical via both wholesale and direct channels.

The Company is dedicated to providing an industry-leading customer experience in order to encourage the transition to renewable alternatives. By making it easy and affordable for businesses to adopt bio-based products and packaging, *good natured®* aims to empower them to reach their sustainability objectives.

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

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

growth strategy

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

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

1. Organic growth driven by a "land and expand" sales strategy that includes:
    a. acquiring new customers through direct-to-business and direct-to-consumer customer selling;
    b. cross-selling additional products into the existing customer base; and
    c. adding new sustainable product offerings that are relevant and complementary to the Company's most valuable customer segments.

2. Acquisitions focused on businesses that meet a combination of the following criteria:
    a. diverse customer base;
    b. large range of product offerings;
    c. products that expand the Company's addressable market or product categories;
    d. new sustainable materials, manufacturing or business development technology;
    e. cross-selling opportunities to both parties' existing customer bases;
    f. expansion into new market and/or geographies; and
    g. strong supply chain capabilities and positive EBITDA.

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

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

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

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

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

business model

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

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

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

recent developments

- On January 4, 2024, the Company announced the appointment of Mark Munford to the board of directors. Mr. Munford is the Company's largest individual shareholder, and, at the time of announcement, owned directly and indirectly, an aggregate of 36,06,890 common shares, representing approximately 13% of the outstanding common shares (calculated on an undiluted basis), and 25,178,570 warrants.
- On February 1, 2024, the Company announced a cost reduction process to address declining revenue in the petroleum-based portion of its Industrial business group. These actions were expected to result in approximately $1.2 million in annualized payroll reductions.
- On February 14, 2024, the Company announced an update to its cost reduction efforts, indicating it has completed corporate cost reductions in a variety of functional areas, including wages and selling, general and administrative expenses, which were expected to result in annualized savings of approximately $1.8 million. The Company estimated it will incur approximately $450,000 in one-time expenses associated with these reductions.
- On February 14, 2024, the Company announced the launch of a non-brokered private placement financing (the "**Offering**") for 33,333,333 units (the "**Units**") of the Company at a price of $0.06 per Unit for aggregate gross proceeds of $2 million. The Offering was subject to an over-allotment option, allowing the Company to issue an additional 50,000,000 Units for gross proceeds of $3 million. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant of the Company. Each Warrant would 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.
- On February 20, 2024, the Company announced it signed a definitive agreement with a major Canadian financial institution to refinance the mortgage outstanding with Business Development Bank of Canada ("**BDC**") on the land and building located at the Company's Brampton, Ontario facility. The refinancing closed on February 27, 2024. The BDC mortgage was refinanced with a $12.9 million 3-year fixed rate mortgage, featuring a 25-year amortization period. Principal and interest will be paid monthly at a fixed rate 5.75% per annum. The

Company received net proceeds of approximately $2.1 million following repayment of the BDC mortgage and the remaining vendor take back loan associated with the Shepherd Thermoforming & Packaging Inc. acquisition.

- On March 21, 2024, the Company announced it closed the first tranche of the Offering, by issuing 15,639,998 Units at $0.06 per Unit for gross proceeds of $0.9 million. Insiders of the Company prior to closing the first tranche, subscribed for a total of 5,170,000 Units for total gross proceeds of $0.3 million.
- On April 10, 2024, the Company announced a proposal to amend the terms of its 7.0% convertible unsecured subordinated debentures in the principal amount of $17.25 million due October 31, 2026. The Company called a meeting to be held on April 30, 2024 of the holders of the convertible debentures in order to consider certain amendments to the trust indenture dated October 28, 2021. The Company proposed partially redeeming an aggregate of 50% of the principal amount outstanding under the convertible debentures, such that the principal amount of $17.25 million be reduced to $8.63 million in consideration for the issuance of 70,500,000 common shares of the Company. Further details and other proposed amendments are included in the press release dated April 11, 2024.

For additional information please refer to the Company's Annual Information Form for the year ended December 31, 2023, available on the Company's SEDAR+ profile at www.sedarplus.ca as well as on the Company's investor website at goodnaturedproducts.com/pages/investor.

overall performance

Selected Financial Information

The following tables summarize certain data from the financial statements of the Company for FY2023, FY2022 and FY2021.

		2023		2022		2021
Revenue	$	76,583	$	100,966	$	61,132
Adjusted EBITDA[1]	$	1,490	$	2,959	$	(68)
Net loss	$	(15,481)	$	(11,582)	$	(12,695)
Basic and diluted loss per common share	$	(0.06)	$	(0.05)	$	(0.06)

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

		2023		2022		2021
Assets	$	96,040	$	104,441	$	90,529
Liabilities	$	87,304	$	85,491	$	69,437
Asset to liability ratio	$	1.10	$	1.22	$	1.30
Cash and cash equivalents	$	7,300	$	11,860	$	10,655
Net working capital	$	(1,431)	$	9,954	$	(16,013)
Net working capital excluding current portion of long term debt[1]	$	7,503	$	16,547	$	23,668

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

Over the last three fiscal years, the Company's revenue growth has ranged from -24% to 266%. Factors that affected year-over-year revenue change included, but were not limited to:

- the Company completed acquisitions in July 2022, May 2021, December 2020, and May 2020;
- the Company grew its active customer base;
- in response to external supply chain and inflationary costs, the Company began increasing product pricing and implemented shipping surcharges in the second fiscal quarter of FY2021 that resulted in higher selling prices per unit;

- in Q3 2021, the Company commenced shipping commercial quantities to a large U.S. food producer (the "**U.S. Food Producer**"), however revenues have fluctuated from shipment timing related to seasonality, changes in product assortments from the producer's retail customers, inventory levels, timing of retail customer promotional programs, and the rollout of new products from the U.S. Food Producer to its retail customers;
- beginning late in the three months ended September 30, 2022 ("**Q3 2022**"), and continuing through Q4 2023, gross revenue from third-party industrial customers declined, as management continued to witness a general reduction in demand from the Company's Industrial thermoforming customers linked in part to softening macroeconomic conditions as customers worked through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters; and
- lower input costs, reduced demand, increased competitive pressures for commoditized petroleum-based industrial products, and a general abatement in inflationary pressures led to lower average selling prices in the Industrial business group in 2023.

Over the last three fiscal years, the Company's net loss ranged from $11,582 to $15,481. Factors that affected changes in net loss included, but were not limited to:

- the Company completed acquisitions in July 2022, May 2021, December 2020, and May 2020, resulting in increased quarterly gross profit contributions;
- in FY2021 and FY2022, additional headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions resulted in increased selling, general, and administrative costs;
- fluctuations in share-based compensation associated with underlying changes in the share price, headcount increases from acquisition or news hires and share based compensation awards for executives;
- the physical and intangible assets associated with the acquisitions led to increased depreciation and amortization costs;
- fluctuations in foreign exchange ("**FX**") rates, resulting in non-cash FX gains or losses;
- fluctuations in interest rates, resulting in changes to interest costs associated with variable rate debt;

- acquisition-related activity and one-time charges have fluctuated based on the number and size of acquisitions completed in any fiscal year;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and acquisitions over the past three fiscal years. This has resulted in increased financing costs;
- in FY2021 and FY2022, external supply chain and inflationary cost increases resulted in higher costs associated with logistics and fulfillment. In addition, the Company made the strategic decision to build inventory in anticipation of supply chain disruptions, which increased warehousing costs; and
- in Q3 2022, the Company secured the Senior Credit Facility with Wells Fargo and closed a Mortgage Refinancing with BDC, the proceeds of which were used to retire all outstanding credit facility debt with National Bank. The financing resulted in the payment of cash interest penalties, transaction and legal costs and the non-cash write-down of deferred financing costs;
- beginning late in Q3 2022 and continuing through Q4 2023 the Company initiated productivity enhancements and cost reduction efforts aimed at reducing SG&A and direct labor expenses;
- reduced demand, and a general abatement in inflationary pressures led to lower input costs in the Industrial business group in FY2023 resulting in a decline in variable cost of product.; and
- in Q4 2023 the Company recorded a non-cash loss on asset impairment of $4,688.

Additional details regarding these factors can be found in the Company's audited consolidated annual financial statements and related notes for FY2023, FY2022, and FY2021.

Selected Financial & Operational Highlights

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

- Achieved annual revenue of $76,583 for FY2023 as compared to $100,966 in FY2022, a decrease of 24%.
- Achieved quarterly revenue of $18,589 for Q4 2023 compared to $23,306 for Q4 2022, a decrease of 20%.
- Generated VGM of 35% and 36% for Q4 2023 and FY2023 compared to 33% for Q4 2022 and FY2022.
- Gross margin was 25% and 26% for Q4 2023 and FY2023 compared to 25% and 26% for Q4 2022 and FY2022.
- As a percent of revenue, SG&A was 21% and 19% for Q4 2023 and FY2023 compared to 21% and 18% for Q4 2022 and FY2022.
- Fulfillment and logistics as a percent of revenue was 9% and 9% for Q4 2023 and FY2023 compared to 10% and 9% for Q4 2022 and FY2022.
- Achieved positive Adjusted EBITDA for a ninth consecutive quarter. Adjusted EBITDA was $67 and $1,490 for Q4 2023 and FY2023 compared to $5 and $2,959 for Q4 2022 and FY2022.
- The Company recorded a net loss of $6,138 and $15,481 for Q4 2023 and FY2023 compared to a net loss of $4,912 and $11,582 for Q4 2022 and FY2022.
- Cash and cash equivalents equaled $7,300 as at December 31, 2023, compared to $11,860 as at December 31, 2022.
- Cash used in operating activities for FY2023 was $2,544 compared to $4,565 generated in FY2022.
- Net working capital (deficit) was $(1,431) as at December 31, 2023, compared to $9,954 as at December 31, 2022. Net Working Capital Excluding Current Portion of Non-current Liabilities was $7,503 as at December 31, 2023, compared to $16,547 as at December 31, 2022.
- Total assets were $96,040 as at December 31, 2023, compared to $104,441 as at December 31, 2022.
- Total debt outstanding was $65,536 as at December 31, 2023, compared to $63,948 as at December 31, 2022.
- The Company's asset-to-liability ratio was 1.10 as at December 31, 2023, compared to 1.22 as at December 31, 2022.

Key Acquisitions

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

On July 4, 2022, the Company completed the acquisition of all the business and operating assets of FormTex Plastics Corporation ("FormTex") for cash consideration of approximately USD $4,649. Founded in 1989, FormTex produces custom plastic packaging for the medical, food, electronic, industrial, and retail end markets. FormTex is ISO 9001:2015 certified in the design and manufacture of thermoplastic molded components and operates seven different thermoforming machines in a leased 51,000 square foot facility on 1.9 acres of land in Houston, Texas. The Company used cash from treasury to finance the acquisition and pay related integration costs.

discussion of operations

The following table summarizes certain data from the financial statements of the Company.

	3 mon. ended Dec 31			Year ended Dec 31		
	2023	2022	+/-	2023	2022	+/-
Revenue	$ 18,589	$ 23,306	-20%	$ 76,583	$ 100,966	-24%
Variable cost of product	12,142	15,652	-22%	48,749	67,744	-28%
Variable Gross Profit[1]	6,447	7,654	-16%	27,834	33,222	-16%
Variable Gross Margin %[1]	34.7%	32.8%		36.3%	32.9%	
Fixed factory overhead	1,863	1,846	1%	7,800	6,900	13%
Gross profit	4,584	5,808	-21%	20,034	26,322	-24%
Gross margin %	24.7%	24.9%		26.2%	26.4%	
Fulfilment & logistics	1,743	2,225	-22%	7,029	9,317	-25%
SG&A, Excluding Acquisition Costs and One Time Charges[1]	3,256	4,020	-19%	13,583	15,708	-14%
Share-based compensation	365	594	-39%	1,837	2,150	-15%
Depreciation	566	514	10%	2,309	1,950	18%
Financing costs	1,960	1,863	5%	7,676	5,550	38%
Foreign exchange (gain) loss	(109)	695	-116%	(88)	847	-110%
Loss on financing	-	-	-%	-	449	-100%
Gain on interest free loan	-	-	-%	(42)	(15)	180%
Loss on asset impairment	4,688	-	100%	4,688	-	100%
Acquisition related expenses & one time charges[1]	566	863	-34%	1,211	2,164	-44%
Deferred income taxes recovery	(2,313)	(54)	4,183%	(2,688)	(216)	1144%
Net loss for the period	$ (6,138)	$ (4,912)	25%	$ (15,481)	$ (11,582)	34%
Adjusted EBITDA[1]	$ 67	$ 5	1,240%	$ 1,490	$ 2,959	-50%

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

Revenue

Revenue for Q4 2023 decreased 20% to $18,589 as compared to $23,306 for Q4 2022. Revenue for FY2023 decreased 24% to $76,583 compared to $100,966 for FY2022. Despite continued resiliency and growth in the Company's Packaging business group, the change in revenue for Q4 2023 and FY2023 compared to Q4 2022 and FY2022 was primarily a result of declines in Industrial business group revenue (see both the "Business Model" section above and "Revenue Mix by Business Group, Geography and Customer" section below for further details.

Revenue Mix by Business Group, Geography and Customer

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

Revenue Mix Contribution

	3 mon. ended Dec 31		Year ended Dec 31	
	2023	2022	2023	2022
Revenue	$ 18,589	$ 23,306	$ 76,583	$ 100,966
Packaging	9,414	9,844	37,636	30,862
Industrial	8,401	12,666	35,931	66,776
General Merchandise	302	377	1,256	1,308
Commercial Supplies	9	18	48	80
Service / Other	463	401	1,712	1,940
Packaging%	51%	42%	49%	31%
Industrial %	45%	54%	47%	66%
General Merchandise %	2%	2%	2%	1%
Commercial Supplies %	<1%	<1%	<1%	<1%
Service / Other %	2%	2%	2%	2%
Revenue to US	89%	86%	87%	87%
Revenue to CA	11%	14%	13%	13%
Top 4 Customers	33%	27%	33%	24%

Packaging Business Group

For Q4 2023, revenue for the Packaging business group declined by 4%, or $430 compared to Q4 2022. The year-over-year change is driven by the addition of new customers, cross selling new products to existing customers, offset by order volatility, a reduction in U.S. Food Producer shipments, and lower blended average ASPs amongst the National packaging segment. Packaging business group revenue grew by 22% or $6,774 FY2023 compared to FY2022, driven by the aforementioned factors and the acquisition of FormTex in July 2022. The Packaging business group contributed 51% and 49% of total revenue for Q4 2023 and FY2023 compared to 42% and 31% for Q4 2022 and FY2022.

Industrial Business Group

For Q4 2023, revenue for the Industrial business group declined by 34%, or $4,265 in comparison to Q4 2022 and 46% or $30,845 for FY2023 in comparison to FY2022. The change in Industrial revenue in Q4 2023 and FY2023 was driven by an industry-wide decline in average selling prices, continued customer de-stocking, soft demand coupled with increased competitive pressure for commodity petroleum-based products, a return of low-priced offshore commodity products to the North American market, and an overall sector shift to just-in-time ordering.

The Industrial business group contributed 45% and 47% of total revenue for Q4 2023 and FY2023 compared to 54% and 66% for Q4 2022 and FY2022. The year-over-year decrease in the Industrial business group revenue mix in Q4 2023 and FY2023 was driven by a combination a reduction in Industrial revenue as described above (see "Business Model" section for further insight into Industrial revenue mix strategy).

General Merchandise Group

For Q4 2023, revenue for the General Merchandise group declined by 20%, or $75 in comparison to Q4 2022 and 4% or $52 for FY2023 compared to FY2022. The year-over-year decline in Q4 2023 and FY2022 was driven by short-term out-of-stocks on certain top selling General Merchandise products sold through third-party eCommerce channels.

Commercial & Business Supplies Business Group

For Q4 2023, revenue for the Commercial & Business Supplies business group declined by 50%, or $9 compared to Q4 2022 and declined 40%, or $32 for FY2023 compared to FY2022. The year-over-year decline in Q4 2023 and FY2023 was driven by the Company's prioritization of its core Packaging business group.

Services Group

For Q4 2023, revenue for the Services business group grew by 15%, or $62 in comparison to Q4 2022 and declined 12% or $228 for FY2023 in comparison to FY2022. The year-over-year increase in Q4 2023 was driven by series of new custom packaging tooling service programs starting and higher mix of FTL and parcel shipment. The year-over-year decline in FY2023 was driven by reduction in average selling price for FTL and LTL freight services, as well as a reduction of certain surcharge fees associated with supply chain disruptions in 2022.

Variable Gross Margin & Variable Gross Profit

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

	3 mon. ended Dec 31			Year ended Dec 31		
	2023	2022	+/-	2023	2022	+/-
Revenue	$ 18,589	$ 23,306	-20%	$ 76,583	$ 100,966	-24%
Variable cost of product	12,142	15,652	-22%	48,749	67,744	-28%
Variable Gross Profit[1]	6,447	7,654	-16%	27,834	33,222	-16%
Variable Gross Margin %[1]	34.7%	32.8%		36.3%	32.9%	
Fixed factory overhead	1,863	1,846	1%	7,800	6,900	13%
Gross profit	4,584	5,808	-21%	20,034	26,322	-24%
Gross margin %	24.7%	24.9%		26.2%	26.1%	

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

Variable Gross Margin for Q4 2023 and FY2023 was 34.7% and 36.3% compared to 32.8% and 32.9% for Q4 2022 and FY2022 respectively. Variable Gross Margin will fluctuate over financial periods based on short-term revenue mix adjustments caused by completed acquisitions, market segment mix (National, Regional, Small Business, Direct to Consumer) and by business groups and product categories. The Company currently targets a Variable Gross Margin range of 28% to 35% on an annual basis.

Variable Gross Margin for Q4 2023 was largely influenced by the following factors:

- a higher mix of revenues from the Packaging business group in Q4 2023 as compared to Q4 2022, and lower Industrial business group revenue mix contribution; and
- productivity enhancements in the variable cost of products, such as direct labor efficiency, as evidenced by the 22% decline in Q4 2023 variable cost

of products that exceeded the decline in revenue as compared to Q4 2022.

Gross Margin

Gross margin for Q4 2023 was 24.7% compared to 24.9% for Q4 2022. The decline in gross margin was due to increased overhead expense, primarily related to higher utility costs, and an increase in equipment depreciation. Gross margin for FY2023 was 26.2% compared to 26.1% for FY2022.

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

Fulfilment & Logistics

The following is a breakdown of the material components of fulfilment and logistics expenses:

	3 mon. ended Dec 31			Year Ended Dec 31		
	2023	2022	+/-	2023	2022	+/-
Fulfilment & Outsource fee	$ 1,350	$ 1,703	-21%	$ 5,325	$ 7,390	-28%
Warehousing and other	393	522	-25%	1,704	1,927	-12%
Total Fulfilment & Logistics	1,743	2,225	-22%	7,029	9,317	-25%
Total Fulfilment & Logistics as a % of Revenue	9.4%	9.5%		9.2%	9.2%	

Fulfilment and logistics expenses as a percentage of revenue for Q4 2023 and FY2023 was 9.4% and 9.2% compared to 9.5% and 9.2% for Q4 2022 and FY2022 respectively. Fulfillment and logistics costs in Q4 2023 decreased by 22% or $482 compared to Q4 2022 and decreased 25% or $2,288 FY2023 compared to FY2022. The decrease in fulfillment and logistics costs for Q4 2023 and FY2023 was driven by a decline in industrial shipments, lower LTL and FTL shipping rates, a reduction in inventory held at third party warehouses, and lower outsource fee. This was partially offset by an increase in parcel shipments, which are typically more frequent and at lower volumes per shipment to support the Company's online sales channels, as well as a general industry-wide shift to just-in-time ordering discussed earlier.

Selling, General and Administrative

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

	3 mon. ended Dec 31			Year Ended Dec 31		
	2023	2022	+/-	2023	2022	+/-
SG&A Wages	$ 2,343	$ 2,468	-5%	$ 9,148	$ 9,488	-4%
SG&A Other	752	1,370	-45%	3,815	5,479	-30%
Product Development expense	161	182	-12%	620	741	-16%
Acquisition related expenses & one-time charges[1]	566	863	-34%	1,211	2,164	-44%
SG&A	3,822	4,883	-22%	14,794	17,872	-17%
SG&A % of Revenue	20.6%	21.0%		19.3%	17.7%	
SG&A Excluding Acquisition Activity & One-Time Charges[1]	3,256	4,020	-19%	13,583	15,708	-14%
SG&A % of Revenue Excluding Acquisition Activity & One-Time Charges[1]	17.5%	17.2%		17.7%	15.6%	
SG&A Wages % of Revenues	12.6%	10.6%		11.9%	9.4%	

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

SG&A expenses in Q4 2023 declined by 22% compared to Q4 2022. SG&A as a percent of revenue was 20.6% for Q4 2023 compared to 21.0% for Q4 2022, essentially unchanged, as the decline in total revenue was matched by an equivalent decline in SG&A expenses.

The change in SG&A expenses in Q4 2023 was due to the following factor(s):

- "SG&A Other" expenses declined by 45% or $618 as compared to Q4 2022, largely as a result of the Company's efforts to reduce costs in areas such as legal and professional fees;
- wage expenses declined by 5% or $125, reflecting a reduction in total headcount to 185 as at December 31, 2023 compared to 196 as at December 31, 2022, which was partially offset by overall growth in average wage rates; and
- acquisition related expenses and one-time charges declined by 34% or $297 as no acquisitions were completed FY2023.

SG&A FY2023 decreased by 17% compared to FY2022 and represented 19.3% of total revenue compared to 17.7% for FY2022.

The change in SG&A expenses in FY2023 was due to the following factor(s):

- "SG&A Other" expenses declined by 30% or $1,664 as compared to FY2022 due to the same factors noted above;
- wage expenses decreased by 4% or $340 as compared to FY2022, reflecting increased headcount associated with the FormTex acquisition, as well as overall growth in average wage rates, which was offset by overall headcount reductions noted above. Excluding the costs associated with the FormTex acquisition, wage expenses declined by 9% or $901; and
- acquisition related expenses and one-time charges declined by 44% or $953.

FY2023 SG&A expenses totaled $14,794 compared to $17,872 in FY2022, representing $3,078 in cost reductions.

Adjusted EBITDA

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

	3 mon. ended Dec 31			Year Ended Dec 31		
	2023	2022	+/-	2023	2022	+/-
Net loss for the period	$ (6,138)	$ (4,912)	25%	$ (15,481)	$ (11,582)	34%
Share-based compensation	365	594	-39%	1,837	2,150	-15%
Depreciation	566	514	10%	2,309	1,950	18%
Depreciation in COGS & SG&A	482	442	9%	2,068	1,662	24%
Financing costs	1,960	1,863	5%	7,676	5,550	38%
Foreign exchange loss (gain)	(109)	695	-116%	(88)	847	-110%
Gain on WINN Loan	-	-	-%	(42)	(15)	180%
Loss on financing	-	-	-%	-	449	-100%
Loss on impairment	4,688	-	100%	4,688	-	100%
Acquisition related expenses & one-time charges	566	863	-34%	1,211	2,164	-44%
Deferred income taxes recovery	(2,313)	(54)	4,183%	(2,688)	(216)	1144%
Adjusted EBITDA[1]	67	5	1,240%	1,490	2,959	-50%

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

For Q4 2023, the Company recorded an Adjusted EBITDA of $67 compared to $5 for Q4 2022. Adjusted EBITDA for Q4 2023 as a percent of revenue was 0.4% compared to 0.0% in Q4 2022, as the decline in SG&A expenses slightly outpaced the decline in gross profit. Adjusted EBITDA FY2023 was $1,490 or 1.9% of revenue compared to $2,959 or 2.9% of revenue for FY2022.

The change in Adjusted EBITDA in Q4 2023 was primarily driven by the following factor(s):

- overall revenue declined by $4,717 or 20% compared to Q4 2022 and variable cost of goods sold declined by $3,510 or 22%, resulting in a $1,207 or 16% decrease in Variable Gross Profit compared to Q4 2022; and
- the decline in gross profit contribution of $1,224 was more than offset by the decline in SG&A and fulfilment and logistics expenses.

Net Loss

For Q4 2023, the Company incurred a net loss of $6,138 or $0.02 per Common Share compared to a net loss of $4,912 or $0.02 per Common Share in Q4 2022. For FY2023, the Company incurred a net loss of $15,481 or $0.06 per Common Share compared to a net loss of $11,582 or $0.05 per Common Share in FY2022.

In addition to factors already outlined above in the Adjusted EBITDA section, the change in net loss in Q4 2023 was driven primarily by the following factor(s):

- a non-cash loss on asset impairment of $4,688;
- a non-cash deferred income tax recovery of $2,313;
- a $804 decrease in losses associated with foreign exchange;
- $97 in additional financing costs associated with increased interest costs of variable rate debt and higher debt levels primarily associated with the purchase of the Company's Ayr, Ontario facility; and
- a $229 decrease in stock-based compensation associated with higher underlying share price volatility and number of incentive grants.

Financing Activity and Use of Proceeds

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

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

On August 26, 2022, the Company announced it completed the Senior Credit Facility with Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**"), consisting of a USD $30 million asset-based revolving credit facility with a 4-year term and an uncommitted USD $25 million revolving facility, available at the discretion of Wells Fargo. The initial draw on the Senior Credit Facility was used to retire $13.7 million of outstanding credit facility debt with National Bank of Canada ("**National Bank**").

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

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

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

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

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

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

(1) Table does not include proceeds from financings that were intended to be applied to the Company's working capital.
(2) Monies remaining to be allocated were redirected to working capital, and/or to fund upcoming growth initiatives.
(3) The Company's capital projects have long-term completion dates and monies remaining to be spent will be deployed over coming quarters.

summary of selected quarterly results

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

Three months ended		Dec. 2023		Sep. 2023		Jun. 2023		Mar. 2023
Revenues	$	18,589	$	19,397	$	18,282	$	20,315
Adjusted EBITDA[1]	$	67	$	703	$	47	$	673
Net income (loss)	$	(6,138)	$	(3,240)	$	(3,582)	$	(2,521)
Basic and diluted loss per common share	$	(0.02)	$	(0.01)	$	(0.02)	$	(0.01)
Three months ended		**Dec. 2022**		**Sep. 2022**		**Jun. 2022**		**Mar. 2022**
Revenues	$	23,306	$	26,178	$	25,546	$	25,936
Adjusted EBITDA[1]	$	5	$	792	$	1,005	$	1,157
Net income (loss)	$	(4,912)	$	(2,066)	$	(3,012)	$	(1,592)
Basic and diluted loss per common share	$	(0.02)	$	(0.01)	$	(0.01)	$	(0.01)

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

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

- the Company completed an acquisition in July 2022;
- the Company grew its active B2B customer base;
- in response to external supply chain and inflationary costs, the Company began increasing product pricing and implemented shipping surcharges in the second fiscal quarter of FY2021 that resulted in higher selling prices per unit;
- in Q3 2021, the Company commenced shipping commercial quantities to the U.S. Food Producer; however, shipment timing related to seasonality, changes in product assortments at retail end customers, inventory levels, the timing of end customer promotional programs, and the rollout of new products from the U.S. Food Producer to its retail end customers fluctuated from quarter to quarter;
- beginning late in Q3 2022 and continuing through Q4 2022 and FY2023, gross revenue from third-party industrial customers declined on a quarter-over-quarter basis, as management witnessed a general reduction in demand from the Company's Industrial thermoforming

customers linked in part to softening macroeconomic conditions as customers worked through inventory that was built up to avoid widespread supply chain disruptions prevalent in prior quarters; and

- lower input costs, reduced demand, increased competitive pressures for commoditized petroleum-based industrial products, and a general abatement in inflationary pressures led to lower average selling prices in the Industrial business group FY2023.

Over the last eight quarters, the Company's net loss ranged from $1,592 to $6,138. Factors that affected changes in net loss included, but were not limited to:

- the Company completed an acquisition in July 2022, resulting in increased quarterly gross profit contributions;
- in Q4 2021 and FY2022, additions to headcount driven by the growth of the business, for initiatives to strengthen functional capabilities, and from acquisitions, which resulted in increased SG&A costs;
- quarter to quarter fluctuations in share-based compensation associated with underlying changes in the share price, headcount increases from acquisition or news hires and share based compensation awards for executives;
- increased depreciation and amortization costs associated with the physical and intangible assets added through acquisitions;
- quarter to quarter fluctuations in FX rates, resulting in non-cash foreign exchange gains or losses;
- acquisition-related activity and one-time charges based on the number and size of acquisitions completed in any given quarter;
- the Company has utilized credit facilities, long-term debt, loans, and other financing agreements to fund operating activities, working capital, and acquisitions, which has resulted in increased financing costs;
- quarter to quarter fluctuations in interest rates, resulting in changes to interest costs associated with variable rate debt;
- external supply chain and inflationary cost increases in FY2022 resulted in higher costs associated with logistics and fulfillment;
- in Q3 2022, the Company secured the Senior Credit Facility with Wells Fargo and closed a Mortgage Refinancing with BDC, the proceeds of which were used to retire all outstanding credit facility debt with National Bank. The financing resulted in the payment of cash interest penalties,

transaction and legal costs and the non-cash write-down of deferred financing costs;
- beginning late in Q3 2022 and continuing through Q4 2022 and FY2023 the Company initiated productivity enhancements and cost reduction efforts aimed at reducing SG&A and direct labor expenses;
- reduced demand, and a general abatement in inflationary pressures lead to lower input costs in the Industrial business group in FY2023 resulting in a decline in variable cost of product; and
- in Q4 2023 the Company recorded a non-cash loss on asset impairment of $4,688.

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

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

liquidity

As at December 31, 2023, the Company had cash of $7,300, net working capital deficit of $1,431 and $65,536 of total debt, of which $8,934 is classified as current. Total debt outstanding is comprised of $19,850 in mortgages secured against land and buildings, $16,703 in convertible debentures, $13,513 outstanding on the Wells Fargo asset-based lending facility secured against certain current and non-current assets, $7,676 in capital leases secured by equipment and facilities, $2,723 in vendor notes and $2,888 in other debt. The land and buildings that are secured against the Company's outstanding mortgages were valued in aggregate, as of the most recent third-party appraisal, at $32,015. The Company, looks to raise capital over the course of normal business to address working capital requirements, see "Recent Developments" section for further details.

As at December 31, 2022, the Company had cash of $11,860, net working capital of $9,954 and $63,948 of total debt, of which $6,593 was classified as current.

Total debt increased by $1,588 as at December 31, 2023 compared to December 31, 2022, as the Company made debt repayments of $9,641 against $6,081 in net debt proceeds, with $890 and $(512) attributed to changes in debt accretion and foreign exchange respectively. See the Company's audited consolidated Q4 2023 financial statements for further details.

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

On August 26, 2022, the Company successfully secured the Senior Credit Facility with Wells Fargo. As at December 31, 2023, the amount due on the Senior Credit Facility was $13,513 (see "Financing Activity and Use of Proceeds" section for further details). As at December 31, 2023, the Company was in compliance with all associated covenants.

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

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

Cash Flows

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

	Years ended Dec 31 2023	2022	+/- $	+/- %
Cash (used in) provided by operating activities	$ (2,544)	$ 4,565	$ (7,109)	-156%
Cash provided by financing activities	833	16,463	(15,630)	-95%
Cash used in investing activities	(2,705)	(20,522)	17,817	-87%
Effect of foreign exchange rate changes on cash	(144)	699	(843)	-121%
Net change in cash	(4,560)	1,205	(5,765)	-478%
Beginning cash	11,860	10,655	1,205	11%
Ending Cash	$ 7,300	$ 11,860	$ (4,560)	-38%

Cash used in operating activities for FY2023 was $2,554 compared to $4,565 generated for FY2022. The operating cash used for FY2023 was driven by a decrease in non-cash net working capital, which was primarily due to increases in accounts payables of $2,913, decreases in inventory of $1,320, and decreases in accounts receivables of $229. Cash used by operating activities also reflected finance costs paid of $6,596 compared to $4,371 in FY2022.

Cash generated by financing activities for FY2023 was $833 compared to $16,463 for FY2022. In FY2023, the Company received net proceeds of $4,459 from the issue of common shares and option exercises and drew an additional $6,081 from debt facilities, offset by the repayment of $9,641 in debt split between vendor take back notes, Senior Credit Facility, mortgages, lease liabilities and other debt.

Cash used by investing activities in FY2023 was $2,705 compared to $20,522 in FY2022. In FY2023, the Company invested $2,632 in fixed assets. In FY2022, the Company invested $5,440 in high-speed manufacturing equipment and robotics, purchased the land and buildings at the Company's Ayr, Ontario manufacturing location for $9,623 and completed the acquisition of FormTex in July 2022 for $5,304 (see "Key Acquisitions" section above for further details).

capital resources

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

Below is a summary of the Company's net working capital:

	Dec-23	Dec-22
Cash	7,300	11,860
Accounts Receivable	9,131	9,360
Inventory	11,343	12,663
Prepaids	907	929
Accounts Payable	(21,178)	(18,265)
Current portion Long-term Debt	(8,934)	(6,593)
Net Working Capital (deficit)	(1,431)	9,954
Net Working Capital Excluding Current Portion of Long-Term Debt[1]	7,503	16,547

	Dec-23	Dec-22
Raw Materials	6,557	7,548
Finished Goods	4,786	5,115
Inventory	11,343	12,663

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

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

- increases in accounts payable combined with decreases in inventory and accounts receivable;
- the inclusion of the $2,183 contingent earnout in the current portion of long-term debt as the contingent conditions are likely to be met; and

outlook

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

The Company anticipates operating conditions will continue to be volatile through 2024 due to macroeconomic and geo-political conditions. Management continues to prioritize servicing its existing customers, while seeking to acquire a diverse mix of new customers that are interested in switching to sustainable products to reduce the risk of any one customer having a material impact on results. The Company anticipates demand for sustainable products and staple goods to be resilient, however consumer spending habits, changes in retail and grocery assortments and promotional strategies to address soft end customer demand related to general inflationary conditions, along with overall demand levels for products, could shift with changing macroeconomic conditions, and a protracted economic slowdown may negatively impact financial results.

The Company is closely monitoring and collaborating with customers and suppliers on supply chain activity and has seen supply chain availability move to just-in-time at the end of Q4 2023. This follows the build-up of inventory levels amongst the Company's Industrial thermoforming customers over the first half of 2022 and a portion of Q3 2022 to stave off risk from supply chain disruptions experienced in 2021. Elevated interest rate levels, if sustained, could impact product demand levels in 2024 and lead to order volatility and compression in average selling prices as the Company's customers adapt to changes to their end markets. In addition, the Company anticipates end market volatility resulting from the above mentioned factors may lead to changes in order patterns that reduce year-over-year volumes from the U.S. Food Producer.

In response, the Company remains focused on reducing its operating cost structure, cash management, and renegotiating and restructuring its debt outstanding to lower finance costs and leverage ratios.

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

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

off-balance sheet arrangements

As at December 31, 2023 and the date of this MD&A, the Company did not have any off-balance sheet arrangements.

transactions between related parties

The following table sets forth the remuneration of directors and key management personnel for FY2023 compared to FY2022:

	Year ended Dec 31	
	2023	2022
Salaries, consulting and director fees	$ 1,359	$ 1,961
Share based payments	842	1,013
	$ 2,201	$ 2,974

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 of the Company subscribed for $3,159 of the June 2023 $5,000 brokered private placement.

proposed transactions

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

significant estimates and accounting policies

For the significant estimates and key assumptions, see note 2 and note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

changes in accounting policies including initial adoption

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.

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.

financial instruments

The Company's financial instruments as at December 31, 2023 include cash, trade and other receivables, accounts payable and accrued liabilities, credit facilities, and loans.

The Company's financial assets and financial liabilities are classified and measured at amortized cost, with the exception of the Company's Contingent Consideration.

Credit Risk

The Company's exposure to credit risk primarily arises from the possibility that its customers may fail to meet their obligations. The Company has credit evaluation, approval and monitoring processes in place which mitigates these potential credit risks. The Company continually evaluates the collectability of accounts receivable and records an allowance for doubtful accounts if required, which reduces the receivables by the amount of any expected credit losses. The failure of a significant customer could have a material adverse effect on the Company. As at December 31, 2023, trade and other receivables total $9,131 (December 31, 2022, $9,360). There is allowance for doubtful accounts of $36 (December 31, 2022, $20) included in this balance, which management believes adequately reflects the Company's expected credit losses. The provision for allowance for doubtful accounts is recognized within operating expenses, if any.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding. The Company's cash assets are currently invested in business accounts with high-credit quality financial institutions, which are available on demand by the Company.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, input materials price fluctuations, and foreign exchange rates. A portion of the Company's operations are performed in U.S. dollars. The

Company currently does not engage in risk management practices such as hedging or derivatives.

Interest Rate Risk

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

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

fair values hierarchy

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

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

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

outstanding share data

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

Designation of Securities	Number of instruments outstanding as of the date of MD&A	Number of Common Shares issuable upon conversion or exercise
Common Shares	294,707,490	N/A-
Options	8,646,940	8,646,940
Other equity incentive compensation	17,650,893	17,650,893
Warrants	62,734,646	62,734,646
Convertible Debentures	21,990,976	21,990,976
Total Fully Diluted Capital		405,730,945

risk factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2023, which is available on the Company's SEDAR+ profile at www.sedarplus.ca, and the "Risk Factors" contained the Company's various filings on SEDAR+.

controls and procedures

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented in the Financial Statements, and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. In response to the covenant breach which has resulted in the refiling of the Company's FY2021 financial statements. Management continues to evaluate its internal processes regarding covenant calculations to identify areas for improvement.

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

additional information

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca as well as on the Company's investor website at goodnaturedproducts.com/pages/investor.