FLOW BEVERAGE CORP.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is prepared as of June 14, 2023, and provides information concerning Flow Beverage Corp's ("Flow", the "Company", "we" or "us") financial condition and results of operations. This MD&A should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended October 31, 2022, including the related notes thereto, and our unaudited condensed consolidated interim financial statements for the three-month and six-month periods ended April 30, 2023, and April 30, 2022.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results, performance and achievements may differ materially from those implied by these forward-looking statements as a result of various factors, particularly under "Forward-Looking Information" and "Risk Factors".

The unaudited condensed interim consolidated financial statements for the three-month and six-month periods ended April 30, 2023, and 2022 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and are presented in Canadian dollars. Accordingly, unless otherwise noted herein, all financial information in this MD&A is presented in Canadian dollars. The disclosures contained in the condensed interim consolidated financial statements do not include all of the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. The Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2022, which have been prepared in accordance with IFRS. In this MD&A, references to North America refer to Canada and the United States.

The unaudited condensed interim consolidated financial statements for the three-month and six-month periods ended April 30, 2023, and April 30, 2022, were reviewed and approved by the Company's Board of Directors (the "Board") on June 14,2023.

Forward-Looking Information

Some of the information contained in this MD&A contains forward-looking information. This information may relate to anticipated events or results and include, but are not limited to, expectations regarding industry trends, our growth rates and growth strategies. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the Annual Information Form ("AIF") filed, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may" "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A.

However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's annual information form dated January 29, 2023 for the fiscal year ended October 31, 2022 and the unaudited condensed interim consolidated financial statements for the three-month and six-month period ended on April 30, 2023, a copy of which

is available under the Company's profile on SEDAR at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "Adjusted EBITDA Loss", "Adjusted Net Loss", and "EBITDA Loss".

The Company uses a supplementary financial measure to disclose a financial measure that is not (a) presented in the annual audited consolidated financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-IFRS financial measure as detailed above. We use the supplementary financial measure "gross margin".

These non-IFRS and supplementary financial measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS and supplementary financial measures in the evaluation of issuers. Our management also uses non-IFRS and supplementary financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. For definitions and reconciliations of these non-IFRS and supplementary financial measures to the relevant reported measures, please see "*How We Assess the Performance of Our Business*" and "*Selected Consolidated Financial Information*" sections of this MD&A.

Business Overview

Our History

Flow was founded by Nicholas Reichenbach in 2014 after seeing mountains of plastic bottle waste while attending the Burning Man Festival in Nevada's Black Rock Desert. Having grown up on a rural property in Southern Ontario with a natural, mineral rich aquifer, he imagined a packaged water company that could be "better for people and the planet". After scientific analyses showed that the water was spring water, free from contaminants and packed with natural minerals and electrolytes, Nicholas, along with friends and family, formed Flow and sought out the Tetra Pak Group to provide the most sustainable package available in order to bring the water to consumers while preserving its benefits.

Key Milestones During the period ended April 30, 2023

- Expanded Canadian Costco presence into Western Canada
- Launched Canadian Flow vitamin-infused water line of products in three new organic flavours into over 800 retail locations via 8 distributors
- Expanded Canadian Gas and Convenience presence into 385 Circle K West locations
- Expanded 1L format into all Canadian grocery banner Freshco locations
- Foodservice Channels continues to be a strong driver of retail growth in Canada, with 240% year over year growth and expanded distribution across the US with Sysco and Vistar
- New distribution on Flow Original in over 8,000 Value Channel Outlets in the US
- National distribution on Vitamin SKUs across all Albertsons Safeway banners
- More than doubled store count at Publix Supermarkets with 1L, bringing store count to over 1,000
- Continued strong growth across the Natural Channel driven by new Vitamin distribution, 1L 6-pack and 1L Flavors

Our Business Model

Flow is an innovative beverage company and one of the pioneers in the "better for you better for the planet" consumer needs state. The majority of our business is represented by Flow Alkaline Spring Water; however, the Company has expanded into a variety of organic flavoured waters and has plans to further expand in other adjacent categories of the non-alcoholic beverage market. As of the date of filing, Flow owns two virtually identical water sources in terms of key minerals, in Bruce County, Ontario and Augusta County, Virginia. Flow packages its products in its production facilities in Aurora, Ontario and has entered into a co-pack agreement whereby our products are produced in our previously owned Verona, Virginia facility, both of which are in close proximity to our water sources. The packaging facility in Aurora, Ontario consists of approximately 150,000 square feet, operates three Tetra Pak A3 / Flex filling machines and has a capacity of approximately 500,000 Tetra Paks per day. Flow markets its premium alkaline spring water in original unflavoured, a range of award-winning organic flavours and vitamin-infused waters with natural flavours in sizes ranging from 330 ml to 1 liter, and in six (6), twelve (12), eighteen (18) and twenty-four (24) pack. Flow gets product to market through an omni-channel distribution strategy, including the conventional channel, the food service and the convenience channels. As part of this strategy, the Company leverages a network of distributors to support our coverage of over 54,000 stores in North America. Flow operates a fast-growing e-commerce business mostly developed with Shopify with more than 5,100 subscription customers. Flow has also developed strategic partnerships with third party premium brands in adjacent categories to co-pack their products in the Tetra Prisma format. As at the date hereof, Flow had approximately 154 full-time employees; 118 in Canada and 36 in the United States. Flow has a robust ESG agenda, including sustainable package, resources preservation, carbon neutrality and a high score on our B-Corp certification.

Our Market and the Opportunity

The North American packaged water market has experienced tremendous growth over the last 20 years and has become the largest beverage category in North America, overtaking soft drinks.

The total addressable shelf-stable water market in North America is approximately USD $16 billion dollars annually and is growing at a rate of 15% per year. Within the category, three sub-categories have been the main drivers of the overall category growth and Flow is uniquely positioned at the intersection of those three categories: (i) premium water (10% growth year over year); (ii) sustainably packaged water (64% growth year over year); and (iii) functional water (12% growth year over year).[1]

[1] Source: Quads Trended Report, MULO + Natural Channel, Shelf Stable Water, Non-Carbonated. Data ending Dec 2022

We see the opportunity to gain significant market share and to become one of the leading premium water brands in North America. We will continue innovating with highly differentiated products in current and adjacent categories.

Sales and Marketing Strategy

Our goal is to grow Flow as one of the leading premium water brands in North America. To achieve this aim, Flow`s sales and marketing strategy is fivefold:

1. **Invest in distribution to support continued retail growth.**

   Over the course of the next three years, further invest in the key building blocks of distribution to achieve higher market penetration, with a focus on the largest United States and Canadian regions (4 ‘hydro zones’) and the main enabler being direct store delivery (“DSD”).

2. **Grow our ecommerce business.**

   Leverage the successful direct-to-consumer (“DTC”) subscription program, continuing to directly engage with our rapidly growing customer base.

3. **Expand into food service**.

   Generate broader consumer product trial alongside incremental revenue while responding to the increasing receptivity to sustainable packaging.

4. **Innovate and expand our product portfolio within our core and adjacent categories.**

   Continue our leadership in product innovation on behalf of our primary consumer, the “wellness woman”, meeting her needs across the functional beverage occasions her lifestyle demands and leveraging our growing retail and DTC channels.

5. **Build and amplify our brand.**

   Further establish Flow as the leading reference brand in the area of “better for you, better for the planet”, and continue to invest in Flow`s brand awareness via digital campaigns, social media and sporting event sponsorship.

Our Financial Model

Our financial model is based on sustaining top line growth, developing stable gross margins and controlling operational, general and administrative costs to provide a path towards profitability. This will require continued investment in our brand, e-commerce, innovation, systems, internal controls and distribution. These investments will allow us to improve our profitability year-on-year and create significant value for our shareholders in the medium to long-term.

Company Outlook

The Company’s strategy is focused on the long-term profitable growth of the Flow brand. Industry trends for premium, sustainable and enhanced water remain favourable. Flow has added over 10,000 points of distribution through its DSD strategy, bringing its total to over 54,000, and has secured several authorizations from large retailers. Elevated demand for sustainable product formats, investments made into trade spend, and recent contract wins, particularly in the food service sector, are expected to help accelerate growth of Flow brand net revenue during the seasonally strong summer hydration season.

Flow plans to continue implementing operational cost saving initiatives in the areas of production, warehousing, distribution and logistics in an effort to increase margins and improve operational cash flows. The Company is also focused on improving internal processes and systems to enable general and administrative expense reduction.

How We Assess the Performance of Our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, some of which are not recognized under IFRS as identified below. See "*Non-IFRS and Other Financial Measures*" for more information on each non-IFRS financial measure, non-IFRS ratio and supplementary measure. See "*Non-IFRS and Other Financial Measures*" for a quantitative reconciliation

of each non-IFRS financial measure to its most directly comparable financial measure disclosed in our annual audited consolidated financial statements to which the measure relates.

Revenue

Revenue is derived primarily from two sources: the sale of packaged water and co-packing services. Packaged water is sold to distributors, retail, wholesale and direct customers.

For sales to distributors, revenue is recognized when control of the goods has transferred to the distributor, which is dependent on specific shipping terms. Following shipping, the distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when control of the goods has transferred to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales to retailers, wholesalers and direct customers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due at the point in which control transfers.

The Company enters into co-packing agreements with customers. The Company is required to make estimates regarding the total number of units to be delivered under the contracts. The Company also makes estimates regarding the total consideration to which the Company expects to be entitled to in exchange for the services provided. The total consideration to which the Company expects to be entitled to can vary based on estimates regarding penalties for minimum purchase commitments, total expected units to be delivered and pricing discounts. Revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The Company provides sales discounts and reductions through contract price discounts, payment terms, point of sale price reduction arrangements and customer returns and markdowns. If variable, the Company uses its accumulated historical experience to estimate the variable consideration to which it is entitled, using the most likely outcome method. If considered highly probable that a significant reversal in the cumulative revenue recognized will not occur, such consideration shall be recognized in revenue.

The Company conducts extensive promotional activities, primarily through the use of cooperative advertising, coupons, in-store displays, slotting fees and other funded costs from retail partners. The costs of such activities are recorded as a reduction of revenue over the period in which the goods or services are transferred to the customer, to the extent the consideration is not in exchange for a distinct good or service.

The Company enters into sales agreements with customers who provide the Company trade credits in exchange for the Company's products. Trade credits are primarily used to purchase advertising services. The Company is required to estimate the fair value of the trade credits received, which includes estimates of the cost per impression based on the type of advertising channel the Company expects to utilize as part of future advertising campaigns. The fair value of the trade credits received are recognized in prepaid expenses.

Refer to Note 13 in our unaudited condensed interim consolidated financial statements for the disclosure on disaggregated revenue.

Gross profit

"Gross profit" is defined as net revenue less cost of revenue. Cost of revenue includes product-related costs, labour, other operating costs such as rent, production equipment repairs and maintenance, and amortization. Our cost of revenue may include different costs compared to other manufacturers and distributors in the North American shelf-stable water market. Management believes that gross profit is a useful measure in assessing the Company's underlying operating performance before operating expenses.

Gross margin

"Gross margin" is defined as gross profit divided by net revenue. Gross margin is a supplementary financial measure.

Sales and marketing

Our sales and marketing expenses are predominantly comprised of marketing and non-customer-specific promotional costs.

General and administrative

Our general and administrative expenses are predominantly comprised of travel, professional fees, repairs and maintenance, rent, and licenses and subscriptions. Our general and administrative expenses also include regulatory, legal, accounting, insurance and other expenses associated with being a public company.

Salaries and benefits

Our salaries and benefits expenses are predominantly comprised of wages, long-term consultants and benefits.

EBITDA Loss

"EBITDA Loss" is defined as consolidated net loss before: (i) income tax expense; (ii) finance expense, net; and (ii) amortization and depreciation of property, plant, and equipment and intangible assets. The amortization and depreciation amount is taken from the statement of cash flows, as it is inclusive of all amortization and depreciation that is allocated to overhead. EBITDA Loss is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our annual audited consolidated financial statements is net loss. We believe that EBITDA Loss is a useful measure to assess the performance and cash flow of our Company.

Adjusted EBITDA Loss

"Adjusted EBITDA Loss" is defined as EBITDA Loss before: (i) impairment of assets and restructuring and other costs; and (ii) share-based compensation. Adjusted EBITDA Loss is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our annual audited consolidated financial statements is net loss. We believe Adjusted EBITDA Loss is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of income tax expense, finance expense, depreciation and amortization costs, and expenses we believe are not reflective of our underlying business performance.

Adjusted Net Loss

"Adjusted Net Loss" is defined as consolidated net loss adjusted for the impact of: (i) impairment of assets and restructuring and other costs; (ii) one-time debt settlement costs; and (iii) share-based compensation. One-time debt settlement costs refer specifically to additional fees charged in the process of discharging our obligations. Adjusted Net Loss is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net loss. We believe Adjusted net loss is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance.

Summary of Factors Affecting Performance

Foreign Exchange

Our financial statements are presented in Canadian dollars, which is the functional currency of the Company's Canadian operations and the presentation currency for the unaudited condensed interim consolidated financial statements. As we continue to execute on our omni-channel distribution strategy, a growing portion of our revenue and costs of revenue are derived in US dollars within the US operations. We do not hedge our exchange rate exposure through financial instruments. As we continue to expand our footprint in North America, we will assess our currency exposure and take further steps as may be required to proactively manage this exposure.

Seasonality

The beverage industry is generally subject to seasonal demand fluctuations as consumers increase their consumption during the summer months, which is further impacted by weather during the spring, summer, and fall. Seasonality can have an impact on our net revenue and the comparison year-on year.

Accounting Standards and Policies

New standards, amendments and interpretations adopted by the Company

IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments did not have an impact on the Financial Statements.

IAS 16, Property, Plant and Equipment ("IAS 16")

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments did not have an impact on the Financial Statements.

IFRS 9, Financial Instruments ("IFRS 9")

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment did not have an impact on the Financial Statements.

New standards, amendments and interpretations not yet adopted by the Company

The Company is assessing the impact of new standards, amendments and interpretations not yet effective on its Financial Statements.

Critical Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Please see the Company's annual audited consolidated financial statements for the year ended October 31, 2022, for a discussion of the accounting policies and estimates that are critical to the understanding of the Company's business operations and the results of its operations.

Selected Consolidated Financial Information

In Canadian dollars, except percentage amounts	Three months ended April 30 2023	2022	2023 vs. 2022 Increase (decrease)	
	$	$	$	%
Net revenue	**13,975,452**	8,958,241	5,017,211	56%
Gross profit	**2,473,199**	1,118,363	1,354,836	121%
Operating expenses	**10,407,850**	11,296,109	(888,259)	(8%)
Finance expense, net	**1,872,781**	1,514,720	358,061	24%
Restructuring and other costs	**330,612**	—	330,612	n/m
Net loss	**(10,130,334)**	(11,697,815)	1,567,481	(13%)
EBITDA loss	**(7,116,665)**	(8,532,904)	1,416,239	(17%)
Adjusted EBITDA loss	**(6,642,223)**	(6,927,402)	285,179	(4%)
Adjusted net loss	**(9,655,892)**	(10,092,313)	436,421	(4%)
Gross margin	**18%**	12%		

In Canadian dollars, except percentage amounts	Six months ended April 30 2023	2022	2023 vs. 2022 Increase (decrease)	
	$	$	$	%
Net revenue	**23,826,917**	20,846,176	2,980,741	14%
Gross profit	**5,392,758**	4,201,652	1,191,106	28%
Operating expenses	**19,818,179**	23,216,643	(3,398,464)	(15%)
Finance expense, net	**2,262,893**	2,642,900	(380,007)	(14%)
Restructuring and other costs	**881,839**	23,785	858,054	3608%
Net loss	**(17,828,682)**	(21,610,776)	3,782,094	(18%)
EBITDA loss	**(14,122,905)**	(16,425,389)	2,302,484	(14%)
Adjusted EBITDA loss	**(12,841,187)**	(12,617,121)	(224,066)	2%
Adjusted net loss	**(16,546,964)**	(17,802,508)	1,255,544	(7%)
Gross margin	**23%**	20%		

[1] Gross margin is a supplementary financial measure and is used throughout this MD&A. See "Non-IFRS and Other Financial Measures" for more information on the supplementary of financial measure. See "How We Assess the Performance of Our Business" for an explanation of the composition of such measure.

[2] This is a non-IFRS financial measure and is used throughout this MD&A. See "Non-IFRS and Other Financial Measures" for more information on each non-IFRS financial measure. See "How We Assess the Performance of Our Business" for an explanation of the composition of this measure.

Asset held for sale

In April 2023, the Company made a strategic decision to pursue the sale of its production facility in Aurora, Ontario in order to allow the Company to focus on pursuing growth of the Flow brand and to simplify its operating structure. The Company is actively marketing the sale of the Aurora production facility and expects the sale to be completed within the next twelve months. Accordingly, the Company has recorded $14.0 million in assets held for sale on its condensed consolidated interim statements of financial position as of April 30, 2023, and a corresponding liability of $8.3 million.

Non-IFRS and Other Financial Measures

The following tables provide a reconciliation of consolidated net loss to EBITDA Loss, Adjusted EBITDA Loss and Adjusted Net Loss for the three-month and six-month periods ended April 30, 2023, and April 30, 2022:

	Three months ended April 30		Six months ended April 30	
In Canadian dollars	2023	2022	2023	2022
Consolidated net loss:	**$ (10,130,334)**	$ (11,697,815)	**$ (17,828,682)**	$ (21,610,776)
Finance expense, net	**1,872,781**	1,514,720	**2,262,893**	2,642,900
Amortization and depreciation	**1,140,888**	1,650,191	**1,442,884**	2,542,487
EBITDA loss	**(7,116,665)**	(8,532,904)	**(14,122,905)**	(16,425,389)
Share-based compensation	**143,830**	1,605,502	**399,879**	3,784,483
Restructuring and other costs	**330,612**	—	**881,839**	23,785
Adjusted EBITDA loss	**$ (6,642,223)**	$ (6,927,402)	**$ (12,841,187)**	$ (12,617,121)

	Three months ended April 30		Six months ended April 30	
In Canadian dollars	2023	2022	2023	2022
Consolidated net loss:	**$ (10,130,334)**	$ (11,697,815)	**$ (17,828,682)**	$ (21,610,776)
Share-based compensation	**143,830**	1,605,502	**399,879**	3,784,483
Restructuring and other costs	**330,612**	—	**881,839**	23,785
Adjusted net loss	**$ (9,655,892)**	**$ (10,092,313)**	**$ (16,546,964)**	$ (17,802,508)

See "How We Assess the Performance of our Business" for an explanation of the composition of each measure.

Results of Operations

Three-months ended April 30,2023

Net revenue

Net revenue increased 56%, or $5.0 million compared to the same period in prior year. This is driven by strong Flow branded sales, retail sales growth from foodservice channels, and expanded presence in both US and Canadian markets. This was partially offset by higher discounts.

Gross profit

Gross profit increased by 121%, or $1.4 million compared to the same period in prior year. Strong Flow branded and e-commerce sales were partially offset by increases in prices of certain input materials used in the production process.

Gross margin for the quarter increased to 18%, up from 12% in the same period in prior year. The improvement in gross margin reflects the sale of the Verona production facility, which was under-utilized in Q2 2022, and lower relative trade spend. Offsetting these improvements to gross margin were a temporary change in sales mix comprised of a greater proportion of food service contracts which, while a lower margin channel, is strategically used to promote trial and bring customers into higher margin channels over time. There were also increased costs attributable to the ramp up of production in the Company’s Aurora facility.

Operating Expenses

Operating expenses decreased 8% or $0.9 million compared to the same period in prior year. Increases in salaries and benefits were offset by reduced share-based compensation expense related to the vested portion of RSUs, and lower amortization and depreciation as a result of the sale of the Verona production facility during Q1 2023.

Finance expense

Finance expense increased by 24%, or $0.4 million compared to the same period in prior year. The increase is driven by the NFS Leasing Canada Ltd. Loan entered into in the second quarter of the fiscal year.

Restructuring and other costs

Restructuring costs increased by $0.3 million compared to nil in the same period in prior year. The increase is related to executive severance costs incurred as part of the Company's restructuring plan.

Net loss

Net loss decreased by 13%, or $1.6 million compared to the same period in prior year, mainly as a result of the factors impacting gross profit.

Adjusted Net Loss

Adjusted Net Loss decreased by 4%, or $0.4 million compared to the same period in prior year, driven by reduced share-based compensation expense.

Six-months ended April 30,2023

Net revenue

Net revenue increased by 14%, or $3.0 million compared to prior year. The increase is driven by growth in both co-pack and Flow branded SKUs, partially offset by higher trade spend for on-shelf promotional activities.

Gross profit

Gross profit increased by 28%, or $1.2 million compared to prior year. This is primarily driven by increases in prices of certain input materials used in the production process.

Gross margin for the year increased to 23%, up from 20% in the same period in prior year. The improvement in gross margin reflects the sale of the Verona production facility, which was under-utilized in prior year, and lower relative trade spend. Offsetting these improvements to gross margin were a temporary change in sales mix comprised of a greater proportion of food service contracts which, while a lower margin channel, is strategically used to promote trial and bring customers into higher margin channels over time. There were also increased costs attributable to the ramp up of production in the Company's Aurora facility.

Operating Expenses

Operating expenses decreased by 15%, or $3.4 million compared to prior year. Increases in salaries and benefits were offset by reduced share-based compensation expense related to the vested portion of RSUs, and lower amortization and depreciation as a result of the sale of the Verona production facility during Q1 2023.

Finance expense

Finance expense decreased by 14%, or $0.4 million compared to prior year. The decrease is related to the reduction in borrowings and lease obligation expenses as part of the sale of the Company's Verona production facility.

Restructuring costs

Restructuring costs increased by $0.8 million compared to prior year. The increase is related to executive severance costs incurred as part of the Company's restructuring plan.

Net loss

Net loss decreased by 18%, or $3.8 million compared to prior year, driven primarily by reduced operating expenditures, partially offset by higher cost of inputs into the production process.

Adjusted Net Loss

Adjusted Net Loss decreased by 7%, or $1.3 million compared to prior year, driven by lower share-based compensation expense related to the vested portion of RSUs.

Selected Quarterly Information

The following table presents selected quarterly financial information for the last eight fiscal quarters:

In Canadian dollars	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
	$	$	$	$	$	$	$	$
Net revenue	13,975,452	9,851,465	13,556,028	12,717,981	8,958,241	11,887,935	10,371,339	12,015,514
Gross profit	2,473,199	2,919,559	1,361,462	3,608,178	1,118,363	3,083,289	2,145,746	2,636,211
Net loss	(10,130,334)	(7,698,348)	(14,614,708)	(11,481,850)	(11,697,815)	(9,912,961)	(14,777,759)	(15,604,758)
Loss per share - basic and diluted	(0.18)	(0.14)	(0.27)	(0.21)	(0.22)	(0.18)	(0.28)	(0.35)

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, sales and marketing, capital expenditures, finance costs and debt service requirements. We believe that cash generated from our operations, together with amounts raised through the non-brokered and brokered private placements, will be sufficient to support our 12-month operating expenses, capital expenditures, and future debt service requirements. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. However, our ability to fund operating expenses, capital expenditures, future debt service requirements and dividends will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Risk Factors" as well as the "Summary of Factors Affecting Performance" in this MD&A for additional information. We review acquisition and investment opportunities in the normal course of our business and may make select acquisitions and investments to implement our business strategy when suitable opportunities arise.

Cash Flows

The following table presents our cash flows for the six-month periods ended April 30, 2023, and April 30, 2022:

	Six months ended April 30	
In Canadian dollars	2023	2022
Cash flow used in operating activities	$ (15,704,152)	$ (21,757,580)
Cash flow provided by (used in) investing activities	15,554,572	(688,701)
Cash flow from (used in) financing activities	11,177,469	(3,558,754)
Net change in cash during the period	11,027,889	(26,005,035)
Cash, beginning of the period	2,281,521	51,566,955
Cash, end of the period	$ 13,309,410	$ 25,561,920

Cash flow used in operating activities

Cash flow used in operating activities for the year decreased by $6.0 million, driven by working capital changes in trade and receivable balances.

Refer to Note 4 in our unaudited condensed interim consolidated financial statements for the disclosure on disaggregated trade and other receivables.

Cash flow used in investing activities

Cash flow used in investing activities for the year increased by $16.2 million. The increase is primarily due to the cash proceeds from the sale of the Company's Verona production facility during Q1 2023.

Cash flow used in financing activities

Cash flow from financing activities increased by $14.7 million compared to prior year. The increase is primarily related to cash proceeds from borrowings.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material impact on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Current Share Information

As of the date hereof, the Company had 6,214,566 Multiple Voting Shares and 49,519,755 Subordinate Voting Shares issued and outstanding. As of the date hereof, an aggregate of 2,901,657 options to acquire common shares are outstanding, an aggregate of 17,848,417 warrants to acquire common shares are outstanding, an aggregate of 666,349 deferred share units representing the right to receive common shares in accordance with the Company's Omnibus incentive plan and an aggregate of 3,554,985 restricted share units representing the right to receive common shares in accordance with the terms of our long-term incentive plan.

Risk Factors

The Board, in conjunction with management, is responsible for risk management and the identification of the principal risks of the Company's business and oversight of management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks. This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. The Board provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risks, interest rate risks, credit risks and liquidity risks. As part of assessing and implementing appropriate policies and procedure to address specified risks, the Board may delegate financial and related risk management to the Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company assesses the credit worthiness of customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectible receivables.

Interest Rate Risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at April 30, 2023, as there are no material long-term borrowings outstanding subject to variable interest rates.

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar, trade and other receivables and trade and other payables in entities whose functional currency is other than the currency in which these financial instruments are denominated in.

A change of 1% in foreign currency exchange rates would not have a significant impact on the results of operations. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in the Company's operating results.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the

issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of the annual audited consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at April 30, 2023.:

In Canadian dollars	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
Trade and other payables	$ 10,971,158	$ 10,971,158	$ -	$ -	$ -	$ -	$ 10,971,158
Lease obligations	248,837	220,307	33,708				254,015
Borrowings	24,095,901	15,492,361	3,408,546	14,139,341	-	-	33,040,248
	$ 35,315,896	**$ 26,683,826**	**$ 3,442,254**	**$ 14,139,341**	**$ -**	**$ -**	**$ 44,265,421**

Management of Capital

The Company has implemented various capital policies, procedures and processes that are utilized to achieve its capital management objectives. These include optimizing the cost of capital and maximizing shareholder return while balancing the interests of stakeholders. The Company's capital is composed of share capital and borrowings, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations, acquisitions of production capability, and fixed assets to support our vertically integrated growth strategy. The Company currently funds these requirements from cash raised through past share issuances, convertible debt, other credit facilities, and funds from operations. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") that, among other things, report on the design and operating effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR").

Disclosure Controls and Procedures ("DC&P")

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers, and that information required to be disclosed to satisfy the Company's continuous disclosure obligations is recorded, processed, summarized, and reported within the time periods specified by applicable Canadian securities legislation. Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of the DC&P and based on that evaluation, the Certifying Officers have concluded that the DC&P were effective as at April 30, 2023.

Internal Controls Over Financial Reporting ("ICFR")

The Certifying Officers have designed ICFR or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In designing and evaluating internal controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of ICFR and based on that evaluation, the Certifying Officers have concluded that the Company's ICFR was effective as at April 30, 2023.

There were no changes to the Company's ICFR for the period beginning on November 1, 2022 and ended April 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Additional Information

Additional information relating to the Company, including the Company's AIF is available on SEDAR at www.sedar.com.