The Fresh Factory

May 30, 2022

Management's Discussion & Analysis

For the First Quarter - March 31, 2022

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The Fresh Factory

Management Discussion and Analysis

For the Three Months Ended March 31, 2022

The following management discussion and analysis (the “MD&A”), prepared as of May 27, 2022, should be read together with the consolidated financial statements for the quarter ended March 31, 2022, and related notes attached thereto (the “Financial Statements”). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

All amounts are stated in US dollars unless otherwise indicated.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s expectations regarding its revenue, expenses, and operations;
- the Company’s intention to grow the business and its operations;
- development and commercialization of the Company’s products and services;
- the price of raw materials;
- consumer trends;
- the Company’s supply chain;
- expectations with respect to the future growth of its food ingredient products;
- expectations regarding trends in the plant-based food industry;
- expectations regarding the production capacity of the Company’s existing and future facilities and the Company’s ability to increase and/or maximize production;
- effects of the COVID-19 public health crisis;
- business objectives and milestones; and
- adequacy of financial resources.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed elsewhere herein and any other of the Company's public filings, sufficient working capital to develop the business, access to adequate services and supplies, economic conditions, interest rates, access to equity and debt markets and associated costs of funds, availability of a qualified workforce, that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis, and that the Company maintains its ongoing relations with its business partners in compliance with applicable government rules and regulations. While the Company considers these material factors and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons. Investors should not place undue reliance on forward-looking statements as the plans, intentions, or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Description of Business

The Fresh Factory B.C. Ltd. (the "Company" or "The Fresh Factory") is primarily a manufacturer and distributor of fresh and plant-based food and beverage products. The Company operates from its manufacturing facility located in Carol Stream, Illinois, US. Being centrally located, the facility services customers across the continental US. The Company works with brands of all sizes in the fresh and plant-based food and beverage space to develop, formulate, manufacture, and distribute their products. In addition, the Company owns two brands: Field + Farmer which sells plant-based dressings, dips, and beverages, and Element Pressed which sells cold-pressed juices.

The Company's head office address is at 238 Tubeway Ave, Carol Stream, Illinois, 60188. The registered and records office address is at 2200 HSBC Building 885 West Georgia Street, Vancouver BC V6C 3E8 Canada.

As of March 31, 2022, the Company held 100% equity interest in:

- The Fresh Factory, PBC

As of March 31, 2022, The Fresh Factory, PBC held 100% equity interest in: the following wholly-owned subsidiaries

- Fresh Factory Manufacturing, LLC
- Made Here LLC doing business as “Field + Farmer”
- Element Creations LLC doing business as “Element Pressed”
- The Clean Factory LLC
- Healthy Bars LLC

Corporate Reorganizations

Formation and organization of Company

The Company was incorporated on October 2, 2018, pursuant to the *Business Corporations Act* (British Columbia) under the name “1181718 B.C. Ltd.” On October 27, 2021, the Company changed its name to “The Fresh Factory B.C. Ltd.” in connection with a plan of reorganization and the merger of The Fresh Factory, PBC (“**TFF**”) and a wholly-owned subsidiary of the Company.

TFF was formed on December 14, 2017, as Here Foods, PBC. At the time of formation, the company had three fully owned subsidiaries: 87P LLC, Made Here LLC, and Element Creations LLC.

Overview of The Fresh Factory

The Company operates as a vertically integrated fresh, better-for-you, plant-based food and beverage company. The goal of the Company is to help enable and accelerate the growth of fresh, better-for-you, plant-based food and beverage brands. The Company works with a number of customers across various selling channels including direct-to-consumer, retail, and restaurants. The Company’s operating teams offer a variety of services including

- ***Innovation:*** The Company employs a team of food scientists that provide formulation, product development, costing, and food safety advice on the development of food and beverage products.

- ***Supply Chain:*** The Company employs a supply chain team that sources ingredients, packaging, and fresh produce from a network of farmers and distributors around the country.

- ***Manufacturing:*** The Company operates two manufacturing facilities totaling 48,808 sq ft located in Carol Stream, Illinois and West Chicago, Illinois. The Company runs various production lines producing food and beverage products on a daily basis.

- ***Distribution:*** The Company works with a network of distributors, trucking companies, and freight providers to distribute products. In addition, the Company offers pick, pack, and ship services for eCommerce.

- ***Brands:*** The Company owns two brands: Field + Farmer which makes dips, dressings, and beverages and Element Pressed which makes cold-pressed juices.

The Company produces a variety of different products including

- ***Cold-Pressed Juice***: The Company presses fruits and vegetables into juice and then bottles cold-pressed juice for several companies and for its own brand.

- ***Other Beverages***: The Company manufactures beverages including cold-brew teas, shakes and smoothies, and non-alcoholic specialty beverages for several companies.

- ***Dips and Spreads***: The Company manufactures various dips and spreads for several companies and for its own brand.

- ***Dressings and Sauces***: The Company manufactures various dressings and sauces for several companies and for its own brand.

- ***Soups***: The Company manufactures various soups for several companies.

- ***Snack Bars***: The Company manufactures various snack bars for several companies and for its own brand.

The Company has multiple production lines allowing it to manufacture and package:

- ***Bottling Lines***: The Company has various bottling lines that allow it to produce cold-pressed juice and other bottled products. The Company can fill both plastic and glass containers.

- ***Cup Line***: The Company has various filling capabilities for the production of dips and spreads that are filled in cups including both hot-fill and cold-fill capabilities.

- ***Bar Line***: The Company has various manufacturing capabilities for the production of snack bars that are formed and packaged in sleeves.

- ***Pouch Line***: The Company has various manufacturing capabilities for the production of dips and spreads that are filled in pouches including both hot-fill and cold-fill capabilities.

The Company's model of being vertically integrated and offering a variety of services offers the following benefits:

- ***Lower cost:*** As a vertically integrated manufacturer of food and beverage products the Company's brands do not have to employ co-manufacturing partners. Additionally, the Company can source produce, packaging, and other inputs in bulk lowering their input costs.

- ***Flexibility:*** The Company's ability to produce a variety of products allows it to sell multiple product lines to its customers. Additionally, it allows the Company to provide services to a wide variety of food and beverage brands.

- ***Speed:*** The Company's in-house innovation team allows for the development of products in an accelerated timeline as they provide benchtop samples, food safety recommendations, and can conduct trials with potential customers all before launching.

Business Highlights

- The Company recorded its best quarterly billed revenues ever of $3,865,686 due to continued increased demand from customers.

- In January of 2022, the Company hired Rick Drozlek as Senior Vice President of Sales for FIELD + FARMER. Rick has 24+ years of food and beverage industry experience having worked at Pepsico, Post Consumer Brands, Nature's Path Foods, and most recently NorQuin

- In January, the Company successfully completed the annual GFCO- gluten-free audit

- In January, the Company announced that it has commenced trading on the Frankfurt Stock Exchange under the ticker symbol "Q4Z".

- In January, the FIELD + FARMER company featured its Queso, Spinach Artichoke, and Buffalo dips at the Pop Up Grocer Miami month-long showcase, which generated 5k visitors to the store.

- In January, the Field + Farmer brand announced the launch of its refrigerated snack bars, currently available in participating Whole Foods Markets in the United States.

- In February, The Company announced that Jeremy Schupp had resigned as a director of the Company with immediate effect and was replaced by Bill Besenhofer, the CEO and Co-Founder of The Fresh Factory. These changes were part of a planned transition consistent with the promotion of Bill to the position of CEO earlier this year.

- In February, the Company announced the launch of the Fresh Start program. It is a program created by the Company to help launch the next generation of fresh, clean-label, and plant-based products. The Company helps companies prepare for launch and craft their go-to-market strategy through their vertically integrated platform.

- In March, the Company announced the purchase of new manufacturing equipment which allows the issuer to enter the pouching market. This will allow the Company to continue to diversify its portfolio and move into the food service business.

- In March, the Company announced the purchase of new manufacturing equipment which allows them to enter the wellness shot industry.

- In March, the FIELD + FARMER brand began selling its core dressings - Ranch, Caesar, Lemon Garlic Basil, and Sweet Basil dressings on Vejii (shopvejii.com).

- In March, the FIELD + FARMER was among 25 brands to debut in the first-ever farmer's market in the Metaverse, "The Metamarket", reaching 400 shoppers in a 2-hour market.

- In March, the FIELD + FARMER Ranch Dressing was recognized as a 2022 Expo West NEXTY AWARD Finalist for Best New Dairy Alternative by the New Hope Network.

- Throughout the first quarter, Bill Besenhofer, the CEO, engaged in investor relations activities including outreach and meetings with retail and institutional investors, podcast appearances, and interviews to discuss the business and operations of the Company.

Overall Performance

- The Company's net revenue for Q1 2022 was $3,702951 compared to $2,864,199 for Q1 2021.

- Net loss for Q1 2022, was $1,145,587, or $0.02 per common share compared to a net loss of $177,579 and $0.07 per share for Q1 2021.

- As of March 31, 2022, the Company had total assets of $13,021,176 consisting of $8,421,748 of current assets and $4,559,428 of non-current assets compared to $6,296,876 at March 31, 2021 consisting of $2,473,010 of current assets and $3,823,866 of non-current assets.

- As of March 31, 2022, the Company had total liabilities of $3,984,464 consisting of $2,259,746 of current liabilities and $1,724,718 of non-current liabilities compared to $7,459,142 consisting of $5,532,719 of current liabilities and $1,926,423 of non-current liabilities as of March 31, 2021.

Changes in revenue for the current quarter were driven by the continued growth of current customers, the addition of new customers, the growth of the cold-pressed juice shots line, the continued growth of the bar manufacturing facility, and the continued return of quick-service restaurant customers as the economy continued to re-open.

Key Performance Indicators

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include: revenue, gross margins, operating margins, expenses, and net income (loss). The Company evaluates its performance on these metrics by comparing its actual results to management budgets and forecasts.

Summary of Reporting Period Results

The table below summarizes selected audited financial data for the Company's last two years

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Total Revenue	$3,702,951	$2,864,199
Cost of Revenue	$3,301,150	$2,341,385
Gross Profit	$401,801	$522,814
Gross Profit %	10.9%	18.3%
Sales, General, and Administrative	$1,071,361	$458,774
Depreciation and amortization	$213,194	$162,688
Share-based payments	$354,944	$-
Other Income	($2,583)	$-
Foreign exchange gain	($120,575)	$-
Interest Expense	$31,047	$78,931
Change in Fair Value of Convertible Note Expense	$-	$-
Loss on Conversion of Convertible Notes	$-	$-
Loss on Impairment of Fixed Asset	$-	$-
Listing Expense	$-	$-
Net Loss	$1,145,587	$177,579
Basic and Diluted Loss per Share	$0.02	$0.07

Non-IFRS Measures

EBITDA and Adjusted EBITDA are financial measures that do not have a standardized meaning under IFRS. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, one-time transaction expenses, and change in fair value of derivative liabilities.

As there is no standardized method of calculating EBITDA and Adjusted EBITDA, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Adjusted EBITDA to be a relevant indicator for measuring trends in performance and its ability to generate funds to service its debt and meet its future working capital and capital expenditure requirements. Neither EBITDA or Adjusted EBITDA is a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows or other measures of performance prepared in accordance with IFRS.

The following is a reconciliation of Adjusted EBITDA to net loss:

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Loss for the period	$1,145,587	$177,579
Interest expense	$31,047	$78,931
Depreciation and amortization expense	$213,194	$162,688
EBITDA	($901,346)	$64,040
Change in fair value of derivative liability	$-	$-
Loss on Conversion of Convertible Notes	$-	$-
Listing Expense & Costs of Going Public	$90,595	$-
Share-Based Payments	$354,944	$-
Adjusted EBITDA	($455,807)	$64,040

Results of Operations

Three months ended March 31, 2022 compared with the three months ended March 31, 2021.

Net loss for the three months ended March 31, 2022, was $1,145,587 or $0.02 loss per share compared to $177,579 or $0.07 loss per share for the three months ended March 31, 2021.

Significant differences between Q1 2022 and Q1 2021 results of operations are as follows:

Billed Revenue

Billed Revenue is a non-IFRS term. Billed Revenue is a financial measure defined as the revenue billed to customers as opposed to Total Revenue which represents Billed Revenue less Trade and variable selling and any Production credits & samples.

As there is no standardized method of calculating Billed Revenue, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Billed Revenue to be a relevant indicator for measuring trends in performance and its ability to generate funds to service its debt and to meet its future working capital and capital expenditure requirements. Billed Revenue is not a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows, or other measures of performance prepared in accordance with IFRS.

The following is a reconciliation of Total Revenue and Billed Revenue:

	Three Months Ended Mar 31 2022	Three 3 Months Ended Mar 31 2021
Billed Revenue	$3,866,493	$3,054,355
Trade and variable selling	$143,383	$152,254
Production credits & samples	$20,158	$37,902
Total Revenue	$3,702,952	$2,864,199

- Billed Revenue for Q1 2022 was $3,866,493 compared with $3,054,355 in Q1 2021. The increase in revenue in Q1 2022 as compared to Q1 2021 was attributed to the growth of new and existing customers as well as the continued growth of the bar manufacturing line.

- Trade and variable selling costs in Q1 2022 decreased by $8,871 in Q1 2022 compared to Q1 2021. These costs decreased as a percentage of billed revenue to 3.7% in Q1 2022 as compared to 5% in Q1 2021. The primary driver of the decreased percentage was the increase in sales of non-branded customers.

- Production credit and sample costs decreased by $17,744 from Q1 2021 to Q2 2022. The primary driver of the decrease was better operational efficiencies and fewer customer sample requests.

Cost of Revenue

Cost of revenue was $3,301,150 for Q1 2022 compared with $2,341,385 for Q1 2021.

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Food, packaging, and labor	$2,823,427	$1,988,159
Utilities	$51,218	$37,086
Facilities and maintenance	$426,505	$316,140
Cost of Revenue	$3,301,150	$2,341,385

- Food, packaging, and labor costs were up $835,268 for Q1 2022 compared to Q1 2021. The primary drivers for this are an increase in sales volume and continued inflation.

- Utility costs were up $14,132 in Q1 2022 compared to Q1 2021. The primary drivers for this were inflation and the addition of a second manufacturing facility in West Chicago following an asset acquisition in August of 2021 in which the Company purchased a refrigerated bar production line.

- Facility and maintenance costs increased by $110,365 for Q1 2022 as compared to Q1 2021. The increase was due to increased headcount, labor expenses, material costs, and additional rent for increased facility square footage in West Chicago to help with the continued growth of the business.

Adjusted Gross Margins and Operating Profit

Adjusted Gross Margin and Operating Profit are financial measures that do not have a standardized meaning under IFRS. Adjusted Gross Margin is defined as Billed Revenue minus Food, packaging, and labor (i.e. COGs). Operating Profit is Adjusted Gross Margin less Utilities and Facilities and maintenance costs.

As there is no standardized method of calculating Adjusted Gross Margin or Operating Profit, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Adjusted Gross Margin and Operating Profit to be relevant indicators for measuring trends in performance and its ability to generate funds to service its debt and to meet its future working capital and capital expenditure requirements. Neither Adjusted Gross Margin nor Operating Profit is a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows, or other measures of performance prepared in accordance with IFRS.

At times the company can have widely varying trade and variable selling expenses (due to one-time promotions or other activities) which can distort Billed Revenue and thus Gross Margins and Operating Income. As such, the company believes normalizing these operating metrics and comparing Billed Revenue, Adjusted Gross Margin, and Operating Profit gives a more accurate understanding of the underlying business.

The following shows Adjusted Gross Margin and Operating Profit:

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Billed Revenue	$3,866,493	$3,054,355
Food, packaging, and labor	$2,823,427	$1,988,159
Adjusted Gross Margin	$1,043,066	$1,066,196
	27.0%	34.90%
Utilities	$51,218	$37,086
Facilities and maintenance	$426,505	$316,140
Operating Profit	$565,343	$712,970
	14.6%	23.3%

- Adjusted Gross Margins decreased to $1,043,066 in Q1 2022 from $1,066,196 in Q1 2021. Adjusted Gross Margins, on a percentage basis, fell from 34.9% to 27.0% in Q1 2022 vs. Q1 2021 due to the impacts of continued inflation on input costs and labor. The company notified customers of another price increase at the end of March that would go into effect in Q2 2022 to account for the decrease.

- Operating profit decreased to $565,343 in Q1 2022 from $712,970 in Q1 2021. Operating Profit, on a percentage basis, fell from 23.3% to 14.6% due to the impacts of inflation on input costs, labor, the leasing of more space, and an increase in utility costs. The company notified customers of another price increase at the end of March that would go into effect in Q2 2022 to account for the decrease.

Operating Expenses

Operating Expenses increased from $621,462 in Q1 2021 to $1,639,499 in Q1 2022. This increase of $1,018,037 was driven by a combination of IPO incurred expenses, increased headcount, increased depreciation & amortization on new equipment and property leases, increased sales and marketing expenses and an increase in share-based payments.

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Sales and marketing	$325,045	$143,712
Rent and utilities	$6,883	$6,883
Salaries and benefits	$437,773	$230,145
Other administrative	$301,660	$78,034
Total Sales, General & Administrative	$1,071,361	$458,774
Depreciation and amortization	$213,194	$162,688
Share-based payments	$354,944	$-
Total Operating Expenses	$1,639,499	$621,462

- Sales and marketing expenses were up $181,333 for Q1 2022 compared to Q1 2021. The primary driver of the increase was the expansion of sales and marketing activities related to the Field + Farmer brand and the addition of Rick Drozlek as Senior Vice President of Sales for Field + Farmer.

- Rent and utilities expenses were unchanged for Q1 2022 compared to Q1 2021.

- Salaries & benefits expenses were up $207,628 for Q1 2022 compared to Q1 2021. The primary driver was due to increased headcount.

- Other administrative expenses were up $223,626 for Q1 2022 compared to Q1 2021. The majority of this variance was due to new Pubco-related expenses.

- Depreciation and amortization expenses were up $50,506 for Q1 2022 compared to Q1 2021. The increase for this is due to the addition of the new bar facility equipment and property leases.

- Share-based compensation was $354,944 in Q1 2022, but no such expense was incurred in the prior year. Share-based compensation expense in Q1 2022 related to stock options and performance warrants issued at the close of the RTO transaction in November of 2021.

Research & Development ("R&D") Expenses

The Company currently does not categorize or incur R&D expenses.

Other Expenses

Other expenses consisted of the following:

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Interest expense	$31,047	$78,931
	$31,047	$78,931

- Interest expenses decreased $47,884 in Q1 2022 compared to Q1 2021. The primary driver of the decrease was interest associated with the outstanding convertible notes in Q1 2021.

Summary of Quarterly Results

The below table outlines the quarterly revenue and profit and loss for the trailing eight quarters. The increase in revenue through the quarters specifically in 2021 and into 2022 was due to increased sales in the Company's owned brands, the addition of new customers, increased sales through existing customers specifically tied to the growth of direct-to-consumer brands, the economy re-opening back up for quick-service restaurant customers affected by COVID-19 closures as well as in Q1 2022 the company saw large retail stores bringing back products on to their shelves that had temporarily been removed due to COVID-19.

The change in profitability in 2020 vs. the other quarters is due to the realization of the PPP loan during that period which offset eight weeks of salaries, benefits, leases, and utilities of the Company. The increase in loss for Q2 2021 was due to a change in value associated with outstanding convertible notes. The decrease in the loss for Q1 2022 was primarily due to not having the incurred expenses for the IPO that occurred in Q4 2021.

In Q1 2022, with the continued economic re-opening and new customers coming on board we saw an increase in billed revenue of $812,138 compared to Q1 of 2021. The company saw its basic diluted profit and (loss) per share improve to ($0.02) compared to ($0.07) in Q1 2021.

In addition, data may vary quarter by quarter based on the receipt of purchase orders and delivery of products for the next month. For example, a sale in March may lead to a large delivery of products in April that would shift revenue from the first quarter to the second quarter.

	Quarter Ended Mar 31 2022	*Quarter Ended Dec 31 2021*	*Quarter Ended Sep 30 2021*	*Quarter Ended Jun 30 2021*
Billed Revenue	$3,866,493	$3,574,058	$3,477,477	$3,426,560
Profit and loss From continuing operations	(1,145,587)	(4,779,605)	(563,175)	($1,175,391)
Basic and diluted profit and (loss) per share	($0.114)	($0.114)	($0.235)	($0.489)
Profit and loss attributable to owners	(1,145,587)	(4,779,605)	(563,175)	($1,175,391)
Basic and diluted profit and (loss) per share	($0.02)	($0.114)	($0.235)	($0.489)

	Quarter Ended Mar 31 2021	Quarter Ended Dec 31 2020	Quarter Ended Sep 30 2020	Quarter Ended Jun 30 2020
Billed Revenue	$3,054,355	$2,122,746	$2,424,692	$2,095,951
Profit and loss From continuing operations	($177,580)	($319,075)	($397,555)	$153,791
Basic and diluted profit and (loss) per share	($0.074)	($0.133)	($0.166)	$0.0641
Profit and loss attributable to owners	($177,580)	($319,075)	($397,555)	$153,791
Basic and diluted profit and (loss) per share	($0.074)	($0.133)	($0.166)	$0.064

Liquidity and Capital Resources

The Company has financed its operations through private placements, internally generated cash flows from revenue, and raised money and was listed on the Canadian Securities Exchange in November 2021.

Recent Financings

- There were no recent financing transactions at this time

Cash

As of March 31, 2022, the Company had cash of $5,449,263 compared with $314,697 of cash as of March 31, 2021.

Cash Used in Operating Activities

Cash used in operating activities was $1,158,497 in Q1 2022 compared to cash used of $291,267 in Q1 2021. The primary change is due to share-based compensation, expenses of going public, capital equipment purchases, and an increase in employee headcount.

Cash Used in Investing Activities

Cash used in investing activities was $33,933 in Q1 2022, an increase of $9,959 from Q1 2021. This is within the normal course of business.

Cash Generated from Financing Activities

Cash used for financing activities was $178,441 in Q1 2022 vs net proceeds of $306,882 in Q1 2021. The difference in cash usage from Q1 2022 to Q1 2021 is primarily due to gross proceeds of $450,000 from the issuance of convertible notes that occurred in Q1 2021.

Working Capital

As of March 31, 2022, the Company had a working capital surplus of $6,162,002 compared with a deficiency of $3,059,709 as of March 31, 2021. The current year's surplus is mainly driven by the gross proceeds from the subscription receipt offering. The deficit from last year was driven by the $3,823,760 convertible notes outstanding which have been converted and are no longer outstanding as of March 31, 2022.

Liquidity Outlook

The Company's cash position varies based on the amount of capital raised via private or public placements, and the amount of capital invested and reinvested into the growth of the business by financing leasehold improvements or equipment at its facility. The Company continues to expand its manufacturing capabilities at its Carol Stream facility. These new capital investments are expected to positively impact the Company's revenue and operating cash flow in future periods.

The Company's objective when managing capital is to maximize returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to externally imposed capital requirements. In managing the Company's capital structure, The Company's management reviews monthly and quarterly financial information and provides regular reports to the board of directors.

Going Concern

These consolidated financial statements have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company incurred negative cash flows from operating activities during Q1 2022. As of March 31, 2021, the Company has an accumulated deficit of $20.4 million compared to $12.8 million as of March 31, 2021.

In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance working capital, and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations, generate sufficient funds from operations and obtain new financing. There is no certainty that the Company will raise these necessary funds from financing or operations. As a result of these factors, there is a material uncertainty that may result in a significant doubt on the Company's ability to meet its obligations as they come due and continue as a going concern.

Management is of the opinion that in the future, sufficient working capital can be obtained from external financing and operating cash flow to settle the Company's liabilities and commitments as they become due, although there is a risk that funding will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses, and the statement of financial position classifications used. Such adjustments could be material.

Impact of COVID-19

The outbreak of the COVID-19 pandemic and the resulting measures adopted by governments, businesses, and citizens to mitigate its spread have thus far had a limited negative impact on the Company. While these measures required the Company to shut down its manufacturing operations for one week in May 2020, the Company has since been able to secure adequate supplies of raw materials, maintain its workforce, and benefited from increased demand for its products and services.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

As of March 31, 2021, the Company's related parties and key management personnel consist of the Company's directors and executive officers.

Name/Personal Corporation	Relationship	Nature of Transaction
Nathan Laurell/New Frontier Holdings	Director	
Jeremy Schupp	CFO, Corporate Secretary	Management salaries
Bill Besenhofer	CEO	Management salaries
Isabella Chia	SVP of Marketing	Management salaries
Jeff Cantalupo	Director	
Lindsay Levin	Director	
Besar Xhelili	Director	

Key management personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. KMP consists of officers and directors.

Aggregate compensation of KMP during the periods consisted of:

	Three Months Ended Mar 31 2022	Three Months Ended Mar 31 2021
Salaries & Short-Term Benefits	$167,352	$81,927
Share-based payments	$246,410	$-
	$413,762	$81,927

As of March 31, 2022, Nathan Laurell, a Director, had personally guaranteed the EIDL small business administration loan that was distributed on May 29, 2020. The personal guarantee was a requirement for securing the loan.

Proposed Transactions

There are no proposed transactions at this time

Critical Accounting Estimates

In preparing these consolidated financial statements, management has made judgments and estimates and used assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results will differ materially from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company’s financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The Company's trade and other receivables are typically short-term in nature. The Company recognizes an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company measures loss allowance based on customer-specific factors, historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Revenue recognition

Where the outcome of performance obligations for contracts can be estimated reliably, revenue is recognized. The Company’s revenue is based on sales incentives provided to retailers and estimates of expected returns. The Company estimates sales incentives to be provided to retailers at each measurement date based on historical ratios and adjusts its revenues and accounts receivable accordingly. The Company continually reviews the contractual estimation process to consider and incorporate frequent changes in food distribution resulting from contract renegotiations and renewals.

Leases

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions. The incremental borrowing rates are based on estimates including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date and estimates the expected future utility of the assets to the Company.

Convertible notes

Management estimates the fair value of the conversion feature which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of Cash Generating Units "CGU"

For the purposes of assessing impairment of non-financial assets, the Company must determine Cash generating units. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Going concern

The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

Accounting Changes

There were no accounting changes for the reporting periods.

Financial Instruments and Other Instruments

As of March 31, 2022, the Company's financial instruments consist of cash, trade and other receivables, trade and other payables, convertible notes payable and note payables. Due to their short-term nature, cash, trade and other receivables, trade and other payables cash represent an approximate fair value.

The Company has a note payable outstanding issued to the US Small Business Administration which amounted to $500,000, plus accrued interest as of March 31, 2022. The note bears interest at an annual rate of 3.75%. The note matures in June 2050. The note is secured by substantially all assets of the Company. Monthly principal and interest payments of $2,334 are deferred until November 2022.

The principal repayments of the note payable, assuming no extension by the lender, at March 31, 2022 are as follows:

2022	$5,321
2023	$9,397
2024	$9,755
2025	$10,127
2026 and thereafter	$465,400

Outstanding Share Data

The following table summarizes the maximum number of common shares potentially outstanding as of March 31, 2022 and as of the date of this MD&A if all share purchase options, restricted share units and performance warrants were converted to common shares:

	March 31, 2022
Subordinate Voting Shares	10,928,711
Proportionate Voting Shares*	364,195
Options	4,790,000
Warrants	118,930
Total Shares (fully diluted)	16,201,836
Total Shares (fully diluted and fully converted)**	52,257,141

* On an as converted basis such number of Proportionate Voting Shares would convert to 36,419,500 Subordinate Voting Shares

** Total Shares assuming conversion of all Proportionate Voting Shares to Subordinate Voting Shares

Risks and Uncertainties

In the normal course of business, the Company is exposed to financial risk that arises from a number of sources. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Company, Management takes steps to avoid undue concentrations of risk. The Company manages the risks, as follows:

Supply Chain and Inflation

The current operating environment has led to a broad increase in the price of most goods and services and delays in acquiring several hard assets (i.e. equipment). Delays in equipment or ingredients may have the effect of delaying the Company's revenue or inhibiting its ability to grow. Additionally, increases in costs, driven by inflation in the overall economy have caused ingredients, labor, and nearly all input costs to rise. The Company has continued to adjust its prices charged to customers upward to offset these costs. The price changes at times, may be delayed, and thus not match the increases causing margins to fall in the short to medium term. Additionally, pricing pressure could cause economic stress on the Company's customers.

Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and trade and other receivables. The credit risk relating to cash balances is limited because the counterparties are large commercial banks in the United States. The amounts reported for trade and other receivables in the consolidated statements of financial position are net of allowances for credit losses and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade and other receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the retail and food distribution technology industries and are subject to normal industry credit risk. Payment terms with customers are generally 30 days from the invoice date.

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 generally relies on funds generated from debt and equity financing to provide sufficient liquidity to meet budgeted operating requirements.

The maximum exposure to liquidity risk is represented by the carrying amount of accounts payable and accruals and lease liabilities.

Interest rate risk

The Company is not exposed to interest rate risk as there are no investments of excess cash in short-term money market investments and/or indebtedness at variable rates of interest.

Subsequent Event

In May 2022, Jeremy Schupp tendered his resignation as Chief Financial Officer and Corporate Secretary of the Corporation to take effect as of June 1, 2022. The Company hired John Mikulich who has over 20 years of financial experience within the food industry, having worked previously with Greenleaf Foods, a division of Maple Leaf Foods Inc., as well as Grupo Bimbo, Jewel-Osco, and Cub Foods. He has an extensive background in strategic financial planning and oversight for food manufacturing and supply-chain operations, along with an integrated cross-functional approach. He holds an MBA from DePaul University based in Chicago. John will be taking over as CFO starting June 1, 2022.