



**WILDPACK BEVERAGE INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2022, AND  
DECEMBER 31, 2021**

*(Expressed in thousands of United States Dollars)*

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Wildpack Beverage Inc. ("Wildpack", the "Company", "we", "our" or "us") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of the Company. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022, and December 31, 2021, as publicly filed in Canada on the System for Electronic Document Analysis and Retrieval ("SEDAR") website.

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

The Company's functional and presentation currency is the United States dollar, except for Wildpack Beverage Inc. and Wildpack Beverage Alberta Inc, the Canadian entities, which have a functional currency of Canadian dollars. References to "\$" or "USD" are to United States dollars, while references to "C\$" are Canadian dollars. All dollar amounts in this MD&A are expressed in thousands of USD, with the exception of share price, unless otherwise noted or the context otherwise provides.

This MD&A is prepared as of July 17, 2023. This MD&A includes certain statements that may be deemed "forward-looking information", "forward-looking statements", "future-oriented financial information" and "financial outlook". We direct readers to the section "Cautionary Note Regarding Forward-Looking Statements" included within this MD&A.

The Company became a Reporting Issuer on May 17, 2021, when Ponderous Panda Capital Corporation completed the acquisition of all issued and outstanding equity of Wildpack Beverage Alberta Inc ("Wildpack Alberta"). Ponderous Panda Capital Corporation subsequently changed its name to Wildpack Beverage Inc. The transaction was considered akin to a reverse acquisition as Wildpack Alberta's shareholders have the majority of the shareholding interest in Wildpack after the transaction, the continuing business is that of Wildpack and key management primarily consist of Wildpack Alberta's former key management.

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## Business Overview

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The Company was incorporated on March 22, 2017, under the laws of British Columbia and is listed on the Toronto Stock Exchange Venture (CANS.TSXV). The Company's primary business activities include filling, decorating and brokering aluminum cans, along with brokering packaging materials, and printing labels and sleeves for the United States beverage market.

We operate five facilities, located in Baltimore, Maryland (the "Baltimore Facility"), Las Vegas, Nevada (the "Las Vegas Facility"), Sacramento, California (the "Sacramento Facility"), Marietta, Georgia (the "Georgia Facility"), and Grand Rapids, Michigan (the "Grand Rapids Facility").

We are currently focused on achieving profitable operations. Following that, we intend to expand our network of beverage manufacturing facilities across the United States through a combination of company acquisitions and facility construction. Our strategy is to leverage the fragmentation of the contract beverage packaging industry, the shift toward sustainable beverage packaging formats, and the expanding ready-to-drink beverage market into a sustaining business. We principally complete all production using the aluminum can format and primarily sell our contract packaging services to middle market beverage brands looking to expand their distribution nationally, while consolidating their supply chain into fewer vendors. Our customer base is diverse and includes regional and national brands.

## Service Lines

Wildpack operates four major service lines. Filling services involve receiving from our customers or purchasing on their behalf, specified raw ingredients, then mixing, and packaging them in accordance with their formula and pack-out specifications. The Company charges a tolling fee on a per can basis for this service.

Decorating services include the application of a customer designed label to a blank aluminum can. Beverage cans have a large printable surface, which is customarily utilized by beverage brands to advertise product specific designs and information. The Company charges an application fee on a per can basis.

Brokering services include procurement of aluminum cans and can related items including can ends, carriers, cartons, and trays. Ancillary to our brokering services, Wildpack also offers graphic design, warehousing, packaging engineering support, logistics, and material selection consultation. The Company charges a percentage mark-up on packaging goods for brokerage and consultation on a per unit basis.

Printing (labels and sleeves) services include receiving a customer's art, procuring ink and label materials, consulting on label type, size and design and printing the labels to customer specifications. Wildpack is often commissioned to print for customers utilizing other service lines; in these cases, we coordinate with the rest of their production needs. The Company charges a printing fee on a per label basis.

Service Line by Facility				
Facility	Service Line			
	Filling	Decorating	Brokering	Printing
Baltimore	✓	✓	✓	
Las Vegas	✓	✓	✓	✓
Sacramento		✓	✓	
Marietta		✓	✓	
Grand Rapids			✓	

Management decided to temporarily close our Longmont, Colorado facility to consolidate the customers into the Las Vegas Facility with little attrition, while decreasing fixed overhead. This action was taken as a result of Management's focus on profitable operations and a re-opening in Colorado is not planned until network utilization surpasses cash flow positive breakeven.

## Operating Results

The ready-to-drink beverage segment, representing packaged beverages sold in a format immediately available for consumption upon purchase, continues to grow with new entrants and the movement towards sustainable formats. Wildpack focuses on the entry and middle segments of this market which are growing at the fastest relative rate and benefit most from vertically integrated services. We are principally focused on the aluminum can as a format in the near term with future expansion opportunities into other environmentally sustainable containers.

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### Production Volume by Service

Production volume is manufactured units, in thousands of 12oz standard equivalent cans, except printed volume which is in thousands of labels. Total volume is production volume combined with brokered volume, which is expressed in thousands of 12oz standard equivalent cans delivered. The following table summarizes production volume.

Service	Quarter ended				Year ended	
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2022	December 31, 2021
Filled <sup>2</sup>	5,352	2,295	3,933	2,608	14,188	20,107
Decorated <sup>3</sup>	8,993	8,639	11,941	7,621	37,194	65,445
Printed <sup>5</sup>	7,624	6,812	8,435	2,442	25,313	Nmf <sup>1</sup>
Production Volume	21,969	17,746	24,309	12,671	76,695	85,552
Brokered <sup>4</sup>	41,100	25,979	26,376	32,229	125,684	Nmf <sup>1</sup>
Total Volume	63,069	43,725	50,685	44,900	202,379	85,552

<sup>1</sup>Not Meaningful Figure (“Nmf”).

<sup>2</sup>Filled volume was converted from U.S. Gallons (128oz) into 12oz standard equivalent cans. 1 U.S. Gallon represents 10.67 12oz standard equivalent cans.

<sup>3</sup>Decorated cans include brokered units in 2021. Decorated cans exclude brokered units in 2022, as volume is significant and reported separately.

<sup>4</sup>Brokered cans include brokered units and tertiary packaging sales converted into 12oz standard equivalent cans. \$1 of tertiary packaging = 6.25 12oz standard equivalent cans.

<sup>5</sup>Printing services volume was insignificant in 2021, as operations began on December 23, 2021. Printing volume is measured in thousands of labels. One label is used to produce one decorated can.

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## Plant Utilization by Service

Plant Utilization ("UTIL") is calculated as production volume divided by Plant Production Capacity ("CAP") and expressed as a percentage. Plant production capacity is determined based on available production time (using 24 hours multiplied by six working days per week), operational equipment rated throughput (theoretical max units per minute), and an expectation for equipment up-time (using our targeted 70.0%). Production capacity is in thousands of 12oz standard equivalent cans, except printed volume which is in thousands of labels. Brokerage does not have a production capacity. The following table summarizes plant production capacity and utilization by service.

	<u>Quarter ended</u>								<u>Year ended</u>			
	December 31, 2022		September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2022		December 31, 2021	
	CAP	UTIL	CAP	UTIL	CAP	UTIL	CAP	UTIL	CAP	UTIL	CAP	UTIL
Filled	18,496	28.9%	18,496	12.4%	18,496	21.3%	18,496	14.1%	73,984	19.2%	24,662	81.5%
Decorated	43,301	20.8%	43,301	20.0%	43,301	27.6%	43,301	17.6%	173,204	21.5%	69,317	94.4%
Printed	14,405	52.9%	14,405	47.3%	14,405	58.6%	14,405	17.0%	57,620	43.9%	na	na
Production Volume	76,202	28.8%	76,202	23.3%	76,202	31.9%	76,202	16.6%	304,808	25.2%	93,979	91.0%

During 2021, we saw a prolonged uptrend in demand across both our filling and decorating segments. This led us to increase capacity substantially in these divisions in the second half of the year. This included the addition of two filling lines and two decorating lines. For ease of comparison, we hold capacity consistent throughout the year regardless of changes to equipment or facilities that may occur intra-period. During 2022, these changes included decommissioning our Longmont facility and our second decorating line in Baltimore. Following period end, Management has determined that reporting capacity should be altered more frequently based on material changes in capacity and readers should expect that going forward.

## Confirmed Customer Orders

Confirmed Customer Orders are customer commitments for future orders in thousands of dollars. The following table summarizes confirmed customer orders by quarter.

	<u>Quarter ended</u>		
	March 31, 2023	December 31, 2022	September 30, 2022
Confirmed Customer Orders <sup>1</sup>	\$20,517	\$15,029	\$10,601

<sup>1</sup> This data is consolidated confirmed sales orders data from the Company's enterprise resource software. Confirmed customer orders do not reflect recognized revenue and are subject to adjustment/reconciliation and may or may not be realized or realized in a particular period. Reporting began in July 2022.

## Filling

During the three months ended December 31, 2022, plant production capacity, plant utilization, and filled production volume were 18.5 million cans, 28.9%, and 5.4 million cans respectively. In the 2021 comparable period, plant production capacity, plant utilization, and filled production volume were 9.1 million cans, 81.5%, and 7.4 million cans respectively.

The decrease in year-over-year utilization was driven by increased capacity in the division met with unrealized demand. The improvement in quarter-over-quarter Q3 to Q4 2022 utilization was the result of converting new customers earlier than anticipated from confirmed customer orders into completed orders.

During the three-month period ended December 31, 2022, we held capacity consistent and made no major changes to equipment or personnel. There was a relative shift from large to small production runs, consistent with the beginning of new customer filling relationships. This has both positive and negative impacts. It is positive that our earlier sales efforts have converted into new won opportunities which if executed upon can result in new recurring customers above our minimum order quantities. On the negative side of the equation, pilot runs are typically at our minimum order quantity and involve learning a new product, which has negative impacts on operational efficiency. Management views pilot runs as a necessary chasm to cross to achieve our utilization targets in 2023 and onward.

Filling continues to benefit from high product margins as its cost structure is heavily weighted in facility overhead and production labor. Throughput remains the most important catalyst to achieve profitable operations.

Management expects minor improvements in the capital equipment will occur in future periods at its Baltimore Facility and Vegas Facility. These changes will be primarily focused on achieving throughput capacity by customer across more categories, allowing for a more consistent and predictable output, but it is expected that changes will also result in a reduction in labor per production line. Currently, we experience vastly different hourly outputs depending on the product. This is largely the result of pasteurization times/temperatures, ingredient mixing requirements and pack out configurations. By increasing automation and capacity at each of these pinch points additional line throughput can be unlocked along with a reduction in headcount.

This segment's biggest non-equipment constraint is project coordination. Due to the nature of the customer mix, being skewed towards the regional versus national, we typically are required to take the lead in managing production critical path. This increases the customer's cost of substituting our service with that of our competitors and improves revenue potential. Management is focused on strategies to simplify and improve the coordination of projects at the velocity required to achieve utilization targets and has begun developing technological solutions to further strengthen this area. We expect these strategies to become operationalized in the second half of 2023.

## Decorating

During the three months ended December 31, 2022, plant production capacity, plant utilization, and decorated production volume were 43.3 million cans, 20.8%, and 9.0 million cans respectively. In the 2021 comparable period, plant production capacity, plant utilization, and decorated production volume were 20.0 million cans, 95.5%, and 19.1 million cans respectively.

The decrease in year-over-year utilization was driven primarily by a decrease in demand from the craft brewery segment. Management aligns with market consensus that this decrease is part of a bullwhip as we exited the COVID pandemic. Historically we have kept our decorating lines busy almost entirely by servicing the beer industry, which made our business susceptible to this abrupt change in demand. The slight increase in quarter-over-quarter utilization was the result of the positive correlation between the decorating and filling segments. Management previously implemented an initiative to focus on cross selling decorating to our filling customers with the selling point being to simplify our customers' supply chain. This has been well received and we continue to see more filling customers opting for our decorating services versus other alternatives. Similar to the filling segment, managing more of our customers supply chain improves customer retention at the cost of critical path risk for production. Management's thesis is that the risk can be mitigated with the previously mentioned focus on project coordination.

Management expects the decoration segment to be the laggard as it relates to customer demand and believes most of its demand will eventually be driven by the filling segment. Management believes that if its printing segment continues to improve, the decorating division could experience an influx of demand driven by shorter lead times, not available by our competitors. In the craft brewing industry, lead times on packaging remains the most important purchasing decision point and if we can consistently deliver one or two weeks faster than our competitors it could drastically increase beer services demand.

During the fourth quarter of 2022, our sales team remained focused on Filling segment sales due to the positive correlation for other divisions. As previously discussed, this can have a negative impact on short-term decorating volume but sets the stage for stronger sales in this division in subsequent periods. The decorating assets have higher relative available capacity when compared to the filling lines.

Decorating product margin remained generally consistent during the fourth quarter of 2022 as we have not benefited from price breaks because of lower firm wide production and brokerage levels. As higher levels are achieved reductions in can and label costs can have a material impact on product margin. Like the filling division, our Decorating segment's gross profit is impacted substantially by absorption of the somewhat fixed costs. As demand increases and our assets can be more heavily utilized, improved gross margin is expected.

Wildpack owns one complete decorating line which is currently sitting in storage, waiting to be deployed into a new or existing plant. Management has decided to deploy this line, at such time that we have geographic specific customer sales orders sufficient to cover the ramp up period.

### Printing (Sleeve and Label)

During the three months ended December 31, 2022, plant production capacity, plant utilization, and printed production volume were 14.4 million cans, 52.9%, and 7.6 million labels respectively.

During the year ended December 31, 2022, plant production capacity, plant utilization, and printed production volume were 57.6 million cans, 43.9%, and 25.3 million cans respectively.

During the fourth quarter of 2022, the printing division met all needs of the internal decorating segment for label types it could produce (certain specific finishes are outsourced). In the fourth quarter of 2022, we expanded the scope of our coating offering to include matte and spot matte finish which allowed us to stop using external vendors for these finishes. Our team focused primarily on honing our recipes for different finishes and quality assurance processes. Sleeves are at the core of most production since there is such a high correlation between filling and decorating, as such issues arising at the printing level can have substantial impacts on the critical path of most projects. We have spent considerable bandwidth focusing on reducing these risks.

Internal printing services provide three major benefits to Wildpack. First, it results in a significant reduction in the direct landed cost of a sleeve by approximately 40%, as compared to third-party vendors. Second, it provides flexibility in scheduling that allows for less disruption and more predictability for our decorating and filling divisions. Third, it allows us to minimize the lead time for a decorated can by reducing the number of transfers of products and information.

Our printing vendors typically provide sleeves between 21 and 28 days from purchase. Our internal printing operation continues to operate on a 7–14-day lead time from confirmation of the sale.

Management intends to use all printing capacity to service internal demand as opposed to selling sleeves as a revenue generating segment for the immediate term but has begun trials in external sales of pressure sensitive labels to craft breweries that label their own products.

## Brokering

During the three months ended December 31, 2022, and for the fiscal year ended December 31, 2022 we brokered 41.1 million and 125.7 million cans, respectively. During the comparable 2021 period and fiscal year ended December 31, 2021, brokering was included within the decorating service volume as it was not a meaningful figure to our overall operations.

During the fiscal year we established a strong relationship with our key brokering vendor Ball Corporation, and the Wildpack sales team added substantial customers and orders into the printed can pipeline. As of today, our sales team has added 136 orders from 69 customers for printed cans.

Supplying printed cans improves customer retention due to the difficulties in transferring artwork from one provider to another. Further, brands using printed cans are typically larger in size, which tends to correlate to more recurring orders and financially stable customers.

Increased can brokerage meaningfully synergizes with the decorating and filling segments of the business because at escalating volume levels Wildpack receives a volume rebate from its primary vendor. This has the effect of increasing the product and gross margins of decorated and filled cans. Volume rebates may have a considerable impact on product margins of each segment.

We have also begun reviewing our printed tray and carton programs to build similar relationships to our can brokerage subsegment. Currently, these items are offered on an ad hoc procurement basis which limits product margin and difficulty within the sales process. By establishing a relationship with our tray and carton provider, we can increase the lifetime value of each customer while correspondingly simplifying our supply chain.

## Financial Results

	Note	Year ended December 31, 2022	Year ended December 31, 2021 <i>(Restated)</i>
Sales	18	\$35,374	\$28,281
Cost of sales			
Production costs	19	32,633	24,327
Depreciation and amortization	11, 12, 13	3,039	2,350
Inventory adjustment	10	2,286	-
Total Cost of sales		37,958	26,677
<b>Gross profit (loss)</b>		<b>(2,584)</b>	<b>1,604</b>
Operating expenses			
Selling expenses		2,745	1,175
Salaries, wages, and benefits		7,092	5,152
Depreciation and amortization	11, 12, 13	3,954	1,480
Office and administrative		2,431	3,463
Share-based compensation	17	349	1,090
Professional fees		1,675	2,888
Bad debt expense		1,156	1,313
Other operating expenses		128	167
Operating expenses		19,530	16,728
Other expenses (income)			
Bank and finance charges		217	90
Interest on long-term debt	15	4,922	1,397
Interest on lease obligations	14	746	220
Loss on derivative asset	16	150	284
Loss on intangible asset impairment	12	1,128	237
Loss on goodwill impairment	12	7,364	391
Listing fees	5	-	721
Foreign exchange gain		4	(398)
Other (income) expenses		14,531	2,942
<b>Net loss before income taxes</b>		<b>(36,645)</b>	<b>(18,066)</b>
Deferred income tax recovery	21	-	685
<b>Net Loss</b>		<b>\$(36,645)</b>	<b>\$(17,381)</b>

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## Three months ended December 31, 2022, compared to the three months ended December 31, 2021

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During the year ended December 31, 2022, the Company identified an inaccuracy in the accounting treatment of the convertible debentures (note 16), which resulted in an unsuitable classification and measurement of the embedded derivative instruments between host debt, derivative assets, derivative liabilities, and equity, for the year ended December 31, 2021. As a result of the change in accounting treatment, the consolidated statements of financial position, loss and comprehensive loss, changes in shareholders' equity, and cash flows are restated for the year ended December 31, 2021, in order to be consistent with the 2022 treatment. The following analysis is prepared excluding the impacts of the restatement on the comparative period balances (Quarter 4, 2021). Please reference note 28 in the consolidated annual financial statements.

### Net loss

The Company had a net loss of \$20.82 million for the three-month period ended December 31, 2022, and \$12.26 million for the three-month period ended December 31, 2021. The net loss increased during the quarter ended December 31, 2022, from the quarter ended December 31, 2021, due to inventory net realizable value adjustments, intangible asset and goodwill impairment and elevated salaries and wages.

### Revenue

Revenues amounted to \$9.76 million in the three-month period ended December 31, 2022, and \$6.64 million for the three-month period ended December 31, 2021. Revenue increased 47% through capacity expansion via deployment of additional production lines in existing Company facilities and the acquisition of CraftPac LLC, Vertical Distilling, LLC and Land and Sea Packaging. Total production volume increased by 137%, which outpaced revenue increase due to higher volumes of can equivalent packaging sales that have a lower sales price.

### Cost of sales

Cost of sales amounted to \$12.28 million in the three-month period ended December 31, 2022, and \$8.55 million for the three-month period ended December 31, 2021. Cost of sales increased 43% due to increased throughput as well as a one-time net realizable and scrap write-down of inventory of \$2.29 million.

### Selling expenses

Selling expenses were \$0.77 million for the three-month ended December 31, 2022, and \$0.11 million for the three-month period ended December 31, 2021. Selling expenses include wages, salaries, benefits, and commissions paid to the Company's sales team. Commissions are earned based on confirmed sales orders. Average monthly confirmed sales orders significantly increased period over period, in line with an increase in size and efficiency of the sales team.

### Office and general

Office and administrative expenses were \$0.96 million for the three-month period ended December 31, 2022, and \$2.08 million for the three-month period ended December 31, 2021. Office and administrative expenses decreased significantly due to multiple company acquisitions and integration costs related to new facilities in the prior period, which are non-recurring.

### **Bad debt expense**

Bad debt expenses were \$0.50 million for the three-month period ended December 31, 2022, and \$1.31 million for the three-month period ended December 31, 2021. Bad debt expense originates from an allowance for doubtful accounts. This expense decreased due to settlement of past due balances through credit insurance and collections.

### **Professional fees**

Professional fees were \$0.45 million for the three-month period ended December 31, 2022, and \$1.48 million for the period ended December 31, 2021. Professional fees include legal, accounting, human resource hiring fees, and other services required for regulatory compliance. The decrease in professional fees is explained by legal fees associated with the acquisitions of Land and Sea in 2021, along with hiring costs related to new senior staff members. There were no acquisitions in the year ended December 31, 2022.

### **Salaries, wages, and benefits**

Salaries, wages, and benefits were \$1.84 million for the three-month period ended December 31, 2022, and \$3.37 million for the period ended December 31, 2021. The decrease in salaries, wages, and benefits is the result of a reduction in growth related individuals who were released in the reduction in work force disclosed earlier in the year. As utilization grows, Management expects a modest growth in this line item to support operations.

### **Shared-based compensation**

Share-based compensation was \$0.05 million for the three-month period ended December 31, 2022, and \$0.47 million for the period ended December 31, 2021. Share-based compensation includes non-cash consideration provided to management, directors, and employees in the form of stock options and restricted share units. Share-based compensation decreased from 2021 due to the timing of options granted and vesting as well as the Company's share price.

### **Depreciation and amortization**

Depreciation and amortization expenses were \$1.1 million for the three-month period ended December 31, 2022, and \$0.48 million for period ended December 31, 2021. Depreciation and amortization expenses increased 167% due to additional equipment purchased and deployed in production capacity expansion projects and additional amortization of intangible assets related to acquisitions.

### **Interest on long-term debt**

Interest on long-term debt was \$1.33 million for the three-month period ended December 31, 2022, and \$0.96 million for the three-month period ended December 31, 2021. Interest on long term debt increased due to interest paid on the debentures during the year ended December 31, 2022. The Series 3 debentures were not present in the comparable period.

### **Loss on revaluation of convertible debenture derivative asset**

Unrealized gain or loss on revaluation of the debenture derivative asset depends on inputs and model outputs specified in note 16 in the annual audited consolidated financial statements for the years ended December 31, 2022, and December 31, 2021.

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## Year ended December 31, 2022, compared to the year ended December 31, 2021

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### Net loss

The Company had a net loss of \$36.65 million for the year ended December 31, 2022, and \$17.38 million for the year ended December 31, 2021. The net loss increased during the year ended December 31, 2022, from the year ended December 31, 2021 due to an inventory net realizable value and scrap adjustment, impairment on intangible assets, impairment on goodwill, and interest long-term debt.

### Revenue

Revenues amounted to \$35.37 million in the year ended December 31, 2022, and \$28.28 million for the year ended December 31, 2021. Revenue increased 25% through capacity expansion via deployment of additional production lines in existing Company facilities and the acquisition of Craftpac LLC, Vertical Distilling, LLC Land and Sea. Revenue did not increase proportionally to production volume because Management repriced its services using an implied utilization target to establish margins, and pricing. This had the short-term effect of suppressing revenue (while utilization levels lagged) but resulted in a substantial increase in demand.

### Cost of sales

Cost of sales were \$37.96 million for the year ended December 31, 2022, and \$26.68 million for the year ended December 31, 2021. Cost of sales includes raw material product costs, overhead such as rent and utilities, production salaries and wages, and other direct operating expenses. Cost of sales increased by 42% due in part to the 25% increase in sales revenue. Further increases are due to a one-time adjustment charges to inventory in the amount of \$2.29 million.

### Selling expenses

Selling expenses were \$2.75 million for the year ended December 31, 2022, and \$1.18 million for the year ended December 31, 2021. Selling expenses increased by 133% due to the 25% increase in sales revenue, hiring of additional sales personnel, and elevated commissions from improved confirmed sales order numbers.

### Office and administrative

Office and administrative expenses were \$2.43 million for the year ended December 31, 2022, and \$3.46 million for the year ended December 31, 2021. Office and administrative expenses decreased due to synergies from integrations of acquisitions in 2021. Furthermore, the Company has been focused on cost management and reduction in the year ended December 31, 2022, which further lead to a decrease in general office and administrative expenses.

### Bad debt expense

Bad debt expenses were \$1.16 million for the year ended December 31, 2022, and \$1.31 for the year ended December 31, 2021. Bad debt expense originates from a general allowance for doubtful accounts. This expense decreased due to a lower percentage of aged receivables.

### **Professional fees**

Professional fees were \$1.68 million for the year ended December 31, 2022, and \$2.89 million for the year ended December 31, 2021. Professional fees include legal, accounting, human resource hiring fees, and other services required for regulatory compliance. The decrease in professional fees is explained by legal fees associated with the acquisitions and financings' during the prior year.

### **Salaries, wages, and benefits**

Salaries, wages, and benefits were \$7.09 million for the year ended December 31, 2022, and \$5.15 million for the year ended December 31, 2021. Salaries, wages, and benefits increased because of additional senior level management personnel and increased Company operations predominately in the first four months of the year. A drastic reduction occurred in the second quarter of 2022, which rebased headcount in the back office.

### **Shared-based compensation**

Share-based compensation was \$0.35 million for the year ended December 31, 2022, and \$1.09 million for the year ended December 31, 2021. Share-based compensation includes non-cash consideration provided to management, directors, and employees in the form of stock options and restricted share units. Share-based compensation decreased from 2021 due to the timing of options granted and vesting as well as a lower share price.

### **Depreciation and amortization**

Depreciation and amortization expenses were \$3.95 million for the year ended December 31, 2022, and \$1.48 million for the year ended December 31, 2021. Depreciation and amortization expenses increased 162% due to additional equipment purchased and deployed in production capacity expansion projects and additional amortization of intangible assets related to acquisitions.

### **Listing fees**

Listing expenses were \$nil for the year ended December 31, 2022, and \$0.72 million for the year ended December 31, 2021. Listing expenses originate from the completion of the transaction with Ponderous Panda Capital Corp in 2021.

### **Interest on long-term debt**

Interest on long-term debt was \$4.92 million for the year ended December 31, 2022, and \$1.39 million for the year ended December 31, 2021. This balance includes interest on the Company's term debt, promissory notes, and debentures. Interest on long-term debt increased as the interest-bearing debentures, issued in June and November 2021, were outstanding for the entire fiscal year, and the issuance of the Series 3 convertible debenture in March 2022.

### **Unrealized loss on revaluation of debenture derivative asset**

Unrealized gain or loss on revaluation of the debenture derivative asset depends on inputs and model outputs specified in note 16 in the annual audited consolidated financial statements for the year ended December 31, 2022, and the year ended December 31, 2021.

## Source and Use of Financing Proceeds

On March 31, 2022, the Company received net proceeds from a financing. For additional details, please reference the Company's filings on SEDAR. On March 31, 2022, the Company closed a public offering of 5,007 debenture units for gross proceeds of \$4,007, as further discussed in note 16 to the audited consolidated financial statements for the years ended December 31, 2022, and December 31, 2021. The following table is a reconciliation of actual use of proceeds to the estimates included in the Company's short form prospectus dated March 31, 2022.

	Estimated	Actual
Net Proceeds from offering	\$3,770	\$3,770
Acquisitions of strategic canning-related business	793	—
Capital expenditures for capacity expansion	1,586	46
General working capital	1,391	3,724

Actual use of proceeds for the acquisition of strategic canning-related businesses were delayed as part of the shift in strategic focus from growth to profitability. Capital expenditure actual use of funds was less than estimated due primarily to timing variances, as the Company did not complete the purchase of approximately \$0.75 million of capital equipment during the quarter ended June 30, 2022. The actual use of funds for general working capital was higher than estimated as management shifted strategy from growth to profitability.

On September 23, 2022, the Company entered into a senior secured revolving credit facility with Transportation Alliance Bank, Inc. ("TAB Bank"), for up to \$5,000 in asset-backed financing. The facility provides for a senior secured revolving credit facility, with a 2-year term, and interest only payments at the variable 30-day Secured Overnight Financing Rate ("SOFR") plus 4.85%. TAB Bank holds a first position security interest in the Company's assets. The Company used the proceeds for the repayment of the Fulton term loan, general line of credit, equipment line of credit with the remainder used for general working capital.

On May 30, 2023, the Company announced the closing of its previously announced non-revolving term credit facility in the principal amount of \$25,000 pursuant to an amended and restated loan agreement with Sandton Credit Solutions Master Fund V, LP, an affiliate of Sandton Capital Partners, L.P. and the Company's wholly-owned subsidiaries (the "Lender"), Thirsty Cat, LLC, Hungry Hippo Company, Wildpack Holdings U.S. Inc., K.T. Murray Corporation, CraftPac LLC, Wild Leaf Holdings U.S. LLC, Vertical Distilling LLC and Wild Leaf Ventures Group Nevada Inc., as borrowers.

In connection with the transaction above, the Company has granted to the Lender an option to convert the loan into approximately 49% of the equity of Thirsty Cat, LLC, an indirectly, wholly owned subsidiary of the Company which holds interests in all of the Company's U.S. operations, which represent substantially all of the principal business assets of the Company. The Company used the proceeds to fully repay the TAB Bank drawn facility and fund general working capital.

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## Summary of Annual Financial Results

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The following table summarizes selected annual information derived from the Company's audited consolidated financial statements, which are reported under IFRS, for the year ended December 31, 2022, and year ended December 31, 2021.

*(in thousands of dollars, except loss per share)*

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021 <i>(Restated)</i></b>
<b>Income Statement Data</b>		
Revenue	\$35,374	\$28,281
Net loss	(36,645)	(17,381)
Loss per share (LPS)		
Basic	(0.36)	(0.29)
Diluted	(0.36)	(0.29)
<b>Balance Sheet Data</b>		
Total assets	53,703	73,026
Total lease liabilities and term debt	43,925	40,286

Our financial results are primarily driven by production, acquisition, and construction activities. Significant changes in these factors directly impact our revenue, net loss, and comprehensive loss. In addition:

- Our financial results for the year ended December 31, 2022, were significantly impacted by the consolidation of acquisitions made in the prior fiscal year. Revenue increased with production and total volume as the Company operated a full year with additional production sites. The Company revalued its slower moving inventory at year-end resulting in an inventory adjustment charge. Lastly, our financial results were impacted by the impairment of intangible assets and goodwill relating to the previous year's acquisitions.
- Our financial results for the year ended December 31, 2021, were significantly impacted by the acquisition of Craftpac, LLC, Vertical Distilling, LLC, and Land and Sea which resulted in increased revenue and operating expenses, primarily professional fees. Our financial results were also impacted by the construction of the Las Vegas Facility and expansion of production capacity in the Baltimore Facility, which resulted in additional wages, salaries, and benefits associated with additional employee headcount, along with production supplies. Lastly, our financial results are impacted by the Company's transition and status change from private to publicly traded, which resulted in listing and compliance related expenses.

## Summary of Quarterly Financial Results

The following table contains selected quarterly information derived from the Company's unaudited quarterly condensed consolidated interim financial statements, which are reported under IFRS applicable to interim financial reporting. The Company became a Reporting Issuer on May 17, 2021.

During the year ended December 31, 2022, the Company identified an inaccuracy in the accounting treatment of the convertible debentures (note 16), which resulted in an unsuitable classification and measurement of the embedded derivative instruments between host debt, derivative assets, derivative liabilities, and equity, for the year ended December 31, 2021. As a result of the change in accounting treatment, the consolidated statements of financial position, loss and comprehensive loss, changes in shareholders' equity, and cash flows are restated for the year ended December 31, 2021, in order to be consistent with the 2022 treatment. The following analysis is prepared excluding the impacts of the restatement on the comparative period balances. Please reference note 28 in the consolidated annual financial statements.

<i>(in thousands of dollars, except earnings per share)</i>	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Revenue	9,763	\$8,171	\$8,911	\$8,529	\$6,644	\$7,069	\$8,135	\$6,433
Net loss	(20,815)	(6,735)	(5,199)	(3,896)	(12,967)	(1,487)	(2,038)	(889)
EPS (LPS) – Basic	(0.20)	(0.07)	(0.05)	(0.04)	(0.21)	(0.03)	(0.04)	(0.02)
EPS (LPS) – Diluted	(0.20)	(0.07)	(0.05)	(0.04)	(0.21)	(0.03)	(0.04)	(0.02)

Our financial results are primarily driven by production, acquisition, and construction activities. Significant changes in these factors directly impact our revenue, net earnings (loss), and comprehensive earnings (loss). In addition:

- Our financial results for the fourth quarter ended December 31, 2022, were impacted by strong total unit volume, leading to increased revenue and cost of sales. Cost of sales was negatively impacted by a net realizable value adjustment in inventory. Net loss was impacted by intangible asset and goodwill impairment.
- Our financial results for the third quarter ended September 30, 2022, were impacted by low quarterly production capacity utilization. Direct costs were elevated as high average cost inventory continues to be utilized and replaced with newly contracted Ball Corporation domestic aluminum can supply at considerably lower cost. Our financial results were also impacted by severance and other non-recurring costs such as bad debt expense.
- Our financial results for the second quarter ended June 30, 2022, were impacted by low but improving quarterly capacity utilization. Direct and operating costs were elevated, to support growth and integration, but improving month over month to end the quarter as a result of cost cutting initiatives, primarily the salaries, wages and benefits rationalization. Our financial results were also impacted by severance and other non-recurring costs such as professional fees.
- Our financial results for the first quarter ended March 31, 2022, were significantly impacted by low utilization resulting from the seasonal low demand period. Direct and operating costs were elevated to support growth and integration. Our financial results were also impacted by the acquisition of Land and Sea, which resulted in additional operating revenue and expenses, associated with elevated production volume of brokered can equivalents.

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## Acquisitions and Reverse Acquisitions

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The Company became a Reporting Issuer on May 17, 2021, when Ponderous Panda Capital Corporation completed the acquisition of all issued and outstanding equity of Wildpack Beverage Alberta Inc (“Wildpack Alberta”). Ponderous Panda Capital Corporation subsequently changed its name to Wildpack Beverage Inc. The transaction was considered akin to a reverse acquisition as Wildpack Alberta’s shareholders have the majority of the shareholding interest in Wildpack after the transaction, the continuing business is that of Wildpack and key management primarily consist of Wildpack Alberta’s former key management.

The Company did not make any acquisitions during the year-ended December 31, 2022.

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## 2023 Outlook

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Management believes that if current trends continue, we can expect Wildpack to achieve cash flow positive operations in 2023. The key assumptions that Management is relying upon to maintain this outlook include:

- Continued sales increases;
- Continued increases in plant utilization;
- Market trends; and
- Improvements in production yields.

The key risk factors relating to these assumptions include:

- Sales do not continue to increase;
- The Company does not achieve utilization of the capacity of its facilities as anticipated;
- Market trends change; and
- Production yields do not continue to improve.

Our strategy remains more narrowly focused on becoming cash flow positive, which will result in stunting top line growth to some degree. Areas of focus to achieve this goal include:

- Automating the Baltimore and Las Vegas’ filling lines to increase throughput and decrease headcount;
- Completing requests for proposal for all key raw materials inputs in an effort to reduce costs;
- Add additional capacity in our existing facility footprint to amortize fixed costs across more throughput;
- Maintain cost containment as a core philosophy within all departments to reduce spending; and
- Increase total cans brokered to benefit from a rebate-based reduction in product unit cost across all operating segments (other than printing).

Management believes that remaining narrowly focused on positive cashflow will achieve the greatest value for stakeholders.

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## Liquidity and Capital Resources

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As at December 31, 2021, the Company had a working capital deficit of \$15,498, an accumulated deficit of \$60,022, and cash and cash equivalents of \$943. During the year ended December 31, 2022, the Company incurred a net loss of \$36,645 and used cash in operating activities of \$566. The Company's history of losses and cash outflows from operations represent a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's strategy is to develop into profitable operations and where merited to grow through acquisition and development. Such acquisitions and development may be funded by cash, debt, and share issuances. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate cash or raise equity capital or borrowings sufficient to meet current and future obligations. Further acquisitions will likely require additional financing and there can be no assurance that such financing will be available to the Company on acceptable terms. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of common shares and other equity instruments.

During the year ended December 31, 2022, the Company raised net proceeds from financings of \$11.1 million, \$0.98 million in equity, \$6.6 million in debt, and \$3.5 million in debentures.

The capital resources currently available to and being considered by the Company are as follows:

### Debt

The Company entered into a senior secured credit facility with Transportation Alliance Bank, Inc. ("TAB Bank"), for up to \$5.0 million asset-backed financing. This provides for a senior secured credit facility, with a 2-year term, and interest only payments at the variable 30-day Secured Overnight Financing Rate ("SOFR") plus 4.85%. TAB Bank holds a first position security interest in the Company's assets. The Company intends to use available proceeds for general working capital purposes.

Furthermore, the Company entered into debt transactions with related parties during the year ended December 31, 2022. Please reference Related Party Transactions.

### Equity

On November 29, 2022, the Company issued a non-brokered private equity placement basis, 8,097,166 common shares in the Company, at a price per share of C\$0.17, for gross proceeds \$1,000. As part of this transaction, Izhar Basha was appointed to the Board of Directors in May 2023.

## Debenture

On March 31, 2022, the Company closed a public offering of 5,007 debenture units for gross proceeds of \$4,007 ("Series 3" debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000, which is convertible into common shares of the Company at a conversion price of C\$1.00 per common share and matures four years from the closing date; and (ii) 500 common share purchase warrants ("Warrants S3") of the Company. Interest is paid quarterly.

Each Warrant S3 entitles the holder thereof to purchase one common share at C\$1.50 per share for a period of two years, expiring March 31, 2024. In connection with the March 2022 offering, the underwriters received a cash commission equal to \$150 and the Company also issued compensation warrants to the underwriters entitling them to purchase an aggregate of 50,420 common shares at a price of C\$1.00 per share until March 31, 2024.

On November 23, 2021, the Company issued 20,000 debenture units, for consideration of \$14,795 ("Series 2" debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000 which is convertible into common shares of the Company at a conversion price of C\$1.51 per common share and matures on November 23, 2025; and (ii) 332 common share purchase warrants ("Warrants S2") of the Company. Each Warrant S2 entitles the holder thereof to purchase one common share at C\$1.81 per share for a period of two years, expiring November 23, 2023.

On June 30, 2021, the Company issued 20,000 debenture units for consideration of \$15,017 ("Series 1" debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000, which is convertible into common shares of the Company at a conversion price of C\$1.51 per common share and matures on June 30, 2025; and (ii) 332 common share purchase warrants ("Warrants S1") of the Company. Each Warrant S1 entitles the holder thereof to purchase one common share at C\$1.81 per share for a period of two years, expiring June 30, 2023.

At any time following the expiry of 36 months after issuance for Series 1 and 2 (24 months after issuance Series 3), the Company may, at its option, redeem pro rata all or part of the convertible debentures, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price which is equal to 110% of the principal amount thereof, plus any accrued and unpaid interest that would otherwise be payable to the holder from the time of the optional redemption until maturity.

The Company may force the conversion of all but not less than all of the principal amount of the then outstanding convertible debentures at the conversion price if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange is greater C\$1.50 (Series 3 issuance) for the proceeding 10 consecutive trading days and C\$2.19 (Series 1 and Series 2 issuances) for the preceding 20 consecutive trading days. Holders having their convertible debentures converted, at a redemption price equal to 110% of the principal amount, will receive accrued and unpaid interest thereon in cash.

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## Commitments and Contingencies

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### Commitments

As at the date of this MD&A the Baltimore Facility is scheduled to receive a new filling unit, to improve efficiency and overall product quality. A second filling unit is ordered and will be deployed in the Las Vegas or Longmont Facility. The committed outstanding amount payable for this equipment is approximately \$650.

The following table provides our contractual obligations as of December 31, 2022:

	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$16,002	\$16,002	\$16,002	\$—	\$—
Long term debt	33,650	50,094	9,123	40,971	—
Lease payable	10,275	11,298	2,684	8,376	238
<b>Total</b>	<b>\$59,927</b>	<b>\$77,394</b>	<b>\$27,809</b>	<b>\$49,347</b>	<b>\$238</b>

### Contingencies

The Company is, from time to time, involved in various claims, legal proceedings, tax assessments and complaints arising in the ordinary course of business from third parties. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. Accordingly, no provision or further disclosure has been made as the likelihood of a material outflow of economic benefits in respect of such claims is considered remote. In forming this assessment, management has considered the professional advice received and tax laws in place in the various jurisdictions, and the facts and circumstances of each individual claim. In the opinion of management, all such claims and suits are adequately covered by insurance, or are provided in the financial statements or, if not so covered or provided for, the results are not expected to materially affect the Company's financial position or results of operations.

### Lawsuits

The Company routinely enters contracts for service with its customers. Due to the nature of beverage manufacturing, unfavorable customer outcomes are possible, outside of the Company's control. Customers may pursue litigation to attempt to recover costs.

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## Off-Balance Sheet Arrangements

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The Company has no off-balance sheet arrangements requiring disclosure under this section.

## Related Party Transactions

### Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Board and the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), and Chief Growth Officer ("CGO"). Compensation provided to key management personnel for the years ended were as follows:

	December 31, 2022	December 31, 2021
Short-term employee benefits, including salaries	\$1,616	\$638
Share-based compensation	294	860
Total	\$1,910	\$1,498

### Related party transactions

The Company has entered into employment agreements with each of the officers, including CEO, COO, CGO, and CFO. Under the employment agreements, the officers receive a base salary, extended benefits and are eligible for an annual performance-based bonus and long-term incentive awards determined at the discretion of the Board of Directors. During the year ended December 31, 2022, the Company and COO separated and agreed to a severance payout which is included in the short-term employee benefits. For the year ended December 31, 2022, personnel who are not part of key management received share-based compensation of \$55. As at December 31, 2022, due from related parties for routine business expense reports was \$nil (December 31, 2021 – \$58).

### Promissory Notes

The Company entered into the following short-term loans and promissory notes with certain directors and related parties of the Company:

- \$100, during the three-month period ended September 30, 2022. On June 15, 2023, this loan and the related accrued interest was paid in full.
- \$195 during the three-month period ended June 30, 2022.
- \$100, during the three-month period ended March 31, 2022. On April 1, 2022, the loan and accrued interest was paid in full.
- \$500 during the period ended March 31, 2022. On April 28, 2022, the loan and accrued interest was paid in full.

The terms of all the promissory notes and loans are based on prevailing market rates and are at an annual interest rate of 12% and are all payable on demand.

### Grand Rapids – Building Rent

On December 1, 2021, the Company entered into an 8-year term lease agreement at prevailing market rates for its Land and Sea operations in Grand Rapids, Michigan, with Q4 Development LLC, an entity owned by an employee of the Company. The total lease liability as at December 31, 2022 is \$1,396 (December 31, 2021 – \$1,540) of which \$155 is current and \$1,241 is non-current.

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## Significant Accounting Estimates, Assumptions, and Judgements

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### Estimates

The preparation of these consolidated financial statements requires the use of accounting estimates. It requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Adjustments are made to income as appropriate in the period changes in estimates become known.

### Going concern and liquidity

These financial statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its cost of sales, operating expenses, and other expenses, for the coming twelve months from historical and projected costs. The Company's expected commitments are based on management's best estimates for maintaining its operations at its various facilities. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern and has concluded that the going concern basis of accounting is appropriate (note 1).

### Classification of Fulton debt and the debenture liability

For the year ended December 31, 2021, there was significant judgment in the application of the IFRS policies in relation to the classification of the Fulton debt and the debenture liability. This judgment consisted of reaching the conclusion that even though the Fulton debt and debenture liability were not in default at the balance sheet date, the conditions as at December 31, 2021 served to remove the Company's unconditional right to defer the settlement of the debenture liability for at least twelve months, resulting in a reclassification from long term to current liabilities.

### Inventory provision and write-offs

For the year ended December 31, 2022, management made a significant judgement that an inventory provision for slow moving or obsolete inventory was required. The inventory provision was estimated using subsequent to year-end sales data and disposal transactions. Estimates include net realizable value and determination of slow moving or obsolete inventory items.

### Expected credit loss for accounts receivable

The expected credit loss for accounts receivable requires significant judgement. Management based the expected credit loss for accounts receivable on historical experience, applied on an individual account basis. The estimate is influenced by the health of the economy, business sector, and customer base.

### Useful life of property, plant, and equipment and intangible assets

The useful life of property, plant and equipment and intangible assets is a significant judgement. Management reviews the useful lives annually. Management engages with external experts to aid in estimation of the initial and subsequently reviewed expected useful life for intangible assets. The useful life of intangible assets considers expected cash flows from continuing customers, and the longevity of brand names among others.

### **Assets and liabilities acquired in a business combination**

Assets and liabilities acquired in a business combination are valued at their fair value, with certain exceptions as outlined in IFRS 3 – Business Combinations. The determination of fair value requires significant assumptions and estimates including revenue growth rates, operating margins, customer attrition, and discount rates. Other assumptions include expected future cash flows attributed to the asset and the useful life of the asset (which involves considering factors like expected obsolescence). Any differences between future results could cause the valuation of the recorded asset to be lower than management’s estimates, resulting in an impairment being recorded.

Property and equipment acquired requires estimates of the remaining useful life and fair value on date of acquisition. Management engages arm’s length third parties to value the property, plant and equipment. Changes to these estimates could result in differences in depreciation expense recorded in future years or impairment if the useful life of the assets was to be reduced.

The fair value of liabilities acquired in a business combination is determined based on the cash flows to be paid over the contractual term of the liability, which involves determination of an appropriate discount rate as compared to market transactions with similar terms.

### **Impairment testing of goodwill and other intangible assets**

The Company tests at least annually whether goodwill and indefinite lived intangibles are impaired, in accordance with the requirements of IAS 36 Impairment of Assets. The recoverable amounts of CGU’s are determined based on the greater of their fair value less costs of disposal and value in use. These calculations, which include a discounted cash flow model, require the use of estimates.

For the purposes of impairment testing, assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash inflows that are independent of cash inflows of other assets or groups of assets. The determination of these CGUs is based on management’s judgment with regards to shared infrastructure, geographical proximity, product type and other relevant factors.

Value in use calculations require management to make certain assumptions, including significant estimates about forecasted revenue levels and growth rates, operating margins, and discount rates (note 12). In arriving at its forecasts, the Company considered historical performance, current industry trends, and market opportunities.

### **Fair Value of convertible debenture**

The Company has convertible debentures which are compound instruments consisting of the debt component, the equity component, the equity warrant component, and the derivative asset which is an area of significant estimation uncertainty. The Company uses a valuation model to estimate the fair value of the derivative asset and equity warrants and debt component. The determination of fair value requires significant assumptions and estimates which are further disclosed in note 16. Changes in the inputs to the valuation model may result in material changes in the fair value of the derivative asset and the amount of fair value gains or losses recognized in the statement of net loss and comprehensive loss in future periods.

### **Income taxes**

Income taxes recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome is reflected in income tax expense in the period the final tax outcome is determined.

The Company assesses the probability of taxable profits being available in the future based on its budgeted forecasts. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

### **Initial recognition of ROU assets and lease liabilities**

In relation to ROU assets, when assessing the classification of a lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, implicit borrowing rate, the assessment of the likelihood of exercising renewal options, annual inflation factor and estimation of the fair value of the lease property at lease inception.

### **Share-based payments**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. This estimate requires the use of the appropriate valuation model, as well as the input assumptions, such as volatility, risk free rate, dividend yield, and forfeiture rate.

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## New Accounting Standards and Recent Pronouncements

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New accounting standard adopted:

### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16—Interest Rate Benchmark Reform—Phase 2**

In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments; IAS 39, Financial Instruments: Recognition and Measurement; IFRS 7, Financial Instruments: Disclosures; IFRS 4, Insurance Contracts; and IFRS 16, Leases as a result of Phase 2 of the IASB's Interest Rate Benchmark Reform project. The amendments address issues arising in connection with reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The amendments were effective January 1, 2021. As at December 31, 2022, these amendments did not affect the Company's financial statements as the Company has not yet transitioned any agreements that are exposed to LIBOR to an alternative benchmark interest rate. The Company is working with its lenders on the replacement of the affected rates, which is not expected to result in a significant change to the Company's interest rate risk management strategy or interest rate risk.

Accounting standards issued and not yet effective:

### **Amendments to IAS 1 – Presentation of Financial Statements**

In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impacts of the amended standards, but do not expect that our financial disclosure will be materially affected by the application of the amendments.

### **Amendments to IAS 12 – Income Taxes**

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments help to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is currently assessing the impacts of the amended standards, but do not expect that our financial disclosure will be materially affected by the application of the amendments.

As at December 31, 2022, there are no other IFRS or IFRC Interpretations Committee with future effective dates that are expected to have a material impact on the Company.

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## Financial Instruments

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The main risks arising from the Company's financial instruments are fair value risk, credit risk, liquidity risk and market risk (specifically interest rate risk and currency risk). These risks are from exposures that occur in the normal course of business and are managed by the Company's officers. The Company's officers manage these risks in line with the Company's strategy.

The main purpose of these financial instruments is to finance the Company's growth and ongoing operations. The following financial instruments arise from the Company's operations:

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Cash	\$943
Cash held in trust	658
Accounts receivable	5,138
Sales taxes recoverable	302
Accounts payable and accrued liabilities	16,002
Debt	33,650
Lease obligation	10,275

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

## Classification

The Company classifies its financial instruments in the following measurement categories: (a) fair value through profit and loss (“FVTPL”), (b) fair value through other comprehensive income (“FVTOCI”), and (c) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as amortized cost unless they are irrevocably designated at initial recognition as those to be measured at FVTPL or requiring classification as FVTPL. For assets and liabilities measured at FVTPL, gains and losses are recorded in the statement of income (loss). For liabilities designated at FVTPL, changes due to the Company’s own credit are recorded in other comprehensive income. The Company’s derivative liabilities are designated at FVTPL in the period presented.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified. Derivatives are recognized at their fair value.

## Expected credit loss (“ECL”) impairment model

The Company uses the expected credit loss impairment model, which is based on changes in credit quality since initial application. This model is applied to assets measured at amortized cost.

- A maximum 12-month allowance for ECL is recognized from initial recognition reflecting the portion of lifetime cash shortfalls that would result if a default occurred in the 12 months after the reporting date, weighted by the risk of a default occurring.
- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instrument’s initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.
- A lifetime ECL allowance is recognized for credit impaired financial instruments.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 180 days past due. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The carrying amount of a financial asset is partially or fully written off when there is no realistic prospect of recovery. This typically occurs when the Company determines that the debtor does not have sufficient assets or cash flows to repay the amounts.

## Measurement

All financial instruments are measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent accounting periods. All other financial assets including equity investments are measured at their estimated fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss).

The Company's classification of financial assets and liabilities is summarized below:

Cash and cash equivalents	Amortized cost
Cash held in trust	Amortized cost
Accounts receivable	Amortized cost
Due from/to related parties	Amortized cost
Derivative assets	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Line of credit	Amortized cost
Debt	Amortized cost and FVTPL
Debenture derivatives	FVTPL

## Derecognition

### ***Financial assets***

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of income (loss).

### ***Financial liabilities***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

## Fair value hierarchy

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

## Derivatives

Derivative instruments, including embedded derivatives in financial liabilities or non-financial contracts, such as the forced conversion of convertible debentures, and non-hedge derivatives, such as foreign exchange contracts, are recorded at FVTPL and, accordingly, are recorded on the statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date. Changes in fair value at each reporting date are included in the statement of loss and comprehensive loss on financial instruments at fair value.

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## Outstanding Share Data

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

	Number of securities	Exercise price (\$)	Exercise price currency	Weighted average remaining life (years)
Common shares	112,436,635	n/a		
Stock options	7,417,806	\$0.27 - \$1.20	CAD	1.54
Compensation warrants	2,074,228	\$0.97 - \$1.81	CAD	0.36
Restricted share units <sup>3</sup>	7,889,687	n/a	CAD	0.96
Share purchase warrants	20,483,706	\$1.26 - \$1.81	CAD	0.96
Total	150,302,062			
Convertible Debentures <sup>1,2</sup>	45,007	\$1.00 - \$1.51	CAD	2.43

<sup>1</sup>40,000 Convertible debentures are convertible into common shares at a ratio of 1 debenture, holding a face value of C\$1,000 per debenture, convertible into 667 common shares.

<sup>2</sup>5,007 Convertible debentures are convertible into common shares at a ratio of 1 debenture, holding a face value of C\$1,000 per debenture, convertible into 1,000 common shares.

<sup>3</sup>The Company may settle RSUs in cash or common shares of the Company, on a basis of one common share for each RSU.

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## Risks and Uncertainties

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Consumer product manufacturing and wholesale involves several risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, without limitation, the risks discussed elsewhere in this MD&A, those identified in our Annual Information Form for the year ended December 31, 2021, and our other disclosure documents as filed in Canada on SEDAR at [www.sedar.com](http://www.sedar.com). You should carefully consider such risks and uncertainties prior to deciding to invest in our securities.

### Supply Chain

Any interruption or delay in the Company's supply chain, or the inability to obtain such products from alternate sources at acceptable prices and within a reasonable amount of time, would harm the Company's ability to supply such products to our customers on a commercially reasonable basis. This could harm the Company's relationship with its customers, prevent it from attracting new customers, and materially and adversely affect its business. Further, the Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which its operations rely. Ball Corporation is identified as a key supplier.

Loss of suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results. Such disruption of operations could adversely affect inventory supplies and the Company's ability to meet product delivery deadlines. The Company partially relies on certain can manufacturers that operate facilities outside of North America. Geopolitical events such as the Russia-Ukraine conflict could disrupt shipping channels utilized for packaging supply. The Company's diversified supply chain and inventory build-up strategy may prove to be inadequate to mitigate these shipping issues.

The Company is exposed to commodity price volatility in respect of aluminum. The Company's pricing strategy and relative customer demand in-elasticity to price changes may prove to be ineffective, resulting in negative gross margin variances. The Company's supply chain has not been materially impacted by the current war between Ukraine and Russia.

### Public Health Crises, Including COVID-19

Emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases or pandemics, including the COVID-19 outbreak, could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions (including as a result of government regulation and prevention measures), labour shortages and shutdowns, social unrest, breach of material contracts and customer agreements, government or regulatory actions or inactions, changes in tax laws, payment deferrals, increased insurance premiums, decreased demand, delays in permitting or approvals, governmental disruptions, capital markets volatility, or other unknown but potentially significant impacts. Throughout the COVID-19 pandemic, the Company has operated continuously under the stringent directives provided by federal, state and county authorities. While an outbreak of COVID-19 at a Company facility could result in significant disruption to operations, including a suspension of production, the Company has established COVID-19 management plans and implemented enhanced protocols and preventative measures to manage and mitigate the spread of COVID-19. Our exposure to such public health crises also includes risks to employee health and safety. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place our workforce at risk. The COVID-19 outbreak has, to-date, caused extreme volatility in financial markets and commodity prices, a slowdown in economic activity, and has raised the prospect of a global recession.

In addition, a significant outbreak of contagious diseases in the human population, such as COVID-19, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries,

resulting in an economic downturn that could result in a material adverse effect on demand for packaged beverage products, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business and the market price of the Common Shares. Accordingly, any outbreak or threat of an outbreak of an epidemic disease or similar public health emergency, including the COVID-19 outbreak, could have a material adverse effect on the Company's business, financial condition, and results of operations. It is unknown whether and how the Company may be affected if a pandemic, such as the COVID-19 outbreak, persists for an extended period.

### **Information Technology and Cybersecurity**

The Company's information systems, and those of its third-party service providers, creditors, and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the organization. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets, and consequences. Additionally, unauthorized parties may attempt to gain access to these systems or the Company's information through fraud or other means of deceiving the Company's third-party service providers, employees, creditors, or vendors.

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems, and software, as well as pre-emptive expenses to mitigate the risks of failures. The Company's operating results may be adversely affected by a breakdown of its information technology systems or a failure to develop those systems. The Company depends on key information systems to conduct its business, to provide information to management and to prepare financial reports.

### **Labour Supply and Unionization**

The labour market in the United States is currently constrained. The Company's ability to flexibly adjust labour hours and maintain capacity depends on sufficient and economical labour. We manage this consideration through competitive compensation packages and consistent hiring practices. Currently, there are no indications of unionization of the Company's employees. Should unionization occur, it would negatively impact the Company's operating costs and decrease its profit margins.

### **International Conflict**

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chain and global economies more broadly. Supply chain disruptions may adversely affect our business, financial condition, and results of operations.

The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified, including those relating to commodity price volatility, global financial conditions and supply chain disruptions. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize, and may have an adverse effect on our business, results of operation and financial condition.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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Certain statements in this MD&A and certain information incorporated herein by reference constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the Company's plans or future financial or operating performance, the estimation of sales volumes and production throughput, anticipated growth in co-packing, decorating or brokering business, the estimation of revenue, operating efficiencies and costs, successful acquisition and integration of new facilities, future capital expenditures, requirements for and timing of additional financing, and future outcome of legal and tax matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "will continue" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". The material factors or assumptions used to develop material forward-looking statements are disclosed throughout this document. Forward-looking statements, while based on management's best estimates and assumptions, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to failure of plant, equipment or processes to operate as anticipated, failure to realize operational efficiencies or margin growth, failure to have sufficient cash flow to cover forecasted expenses or achieve profitability, operations, general economic conditions, financing and credit availability, increase in price of aluminum, increase in prices of raw ingredients for beverages, changes in consumer beverage preferences, supply chain issues including, supply of aluminum cans, fluctuations in US dollar currency exchange rates; failure to grow or increase its market share in co-packing, decorating and brokering services, food and safety issues, quality control failures, accidents, labour disputes, claims and limitations on insurance coverage; delays in obtaining financing, changes in alcohol regulations, tax rules and regulations, and actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Risk Factors" in the Company's most recent Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements are qualified in their entirety by the inherent risks and uncertainties related to the Company's business, including that the Company's assumptions in making forward-looking statements may prove to be incorrect; delays in filing of financial information; adverse market conditions; risks inherent in the beverage manufacturing and packaging sector in general; that future results may vary from historical results; and competition in the markets where the Company operates. Except as required by securities law, Wildpack does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise.

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## Investor & Contact Information

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### Stock Exchange and Listed Securities

*Toronto Stock Exchange Venture*

Common Shares (CANS)

Debentures (CANS.DB)

Warrants (CANS.WT and CANS.WT.A)

### Share Registrar and Transfer Agent

Computershare Investor Services Inc.

100 University Avenue, 8<sup>th</sup> Floor

Toronto, ON

M5J 2Y1, Canada

### External Auditor

Davidson and Company LLP

250 Howe Street, Suite 1400, Vancouver, BC

V6C 3S7, Canada

### Corporate Counsel

Fasken Martineau DuMoulin LLP

2900-550 Burrard Street, Vancouver, BC

V6C 0A3, Canada

### Investor and Analyst Inquiries

Elijah Clare, Vice President of Investor Relations

Wildpack Beverage Inc.

T: 306-203-9791

[invest@wildpackbev.com](mailto:invest@wildpackbev.com)

### Locations

*US Corporate Office*

1301 Edison Hwy, Suite A2, Baltimore, MD, 21213

*Canada Corporate Office*

400 – 311 Water Street, Vancouver, BC, V6B 1B8

*Facilities*

1301 Edison Highway, Suite A2, Baltimore, MD 21213

834 Striker Ave Suite D-E Sacramento, CA 95834

4751 Vandenberg Dr, North Las Vegas, NV, 89081

3917 E Lone Mountain Dr, North Las Vegas, NV, 89081

1998 Delk Industrial Blvd, Marietta, GA, 30067

4350 40<sup>th</sup> Street SE, Grand Rapids, MI, 49512

### Board of Directors

Jeffrey Mason, Chair

Izhar Basha

Joseph Bubel

Matthew Dwyer

Mitchell Barnard

Rael Nurick

Sara Coyle

Sean Clark

Stephen Fader

### Officers

Mitchell Barnard, Chief Executive Officer

Ryan Mason, Chief Financial Officer

Thomas Walker, Chief Growth Officer