MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED OCTOBER 31, 2024

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is prepared as of January 29, 2025, and provides information concerning Flow Beverage Corp's ("Flow", the "Company", "we" or "us") financial condition and results of operations. This MD&A should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended October 31, 2024, including the related notes thereto, and our unaudited condensed consolidated interim financial statements for the years ended October 31, 2024 and October 31, 2023.

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

Forward-Looking Information

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

However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's annual information form dated January 29, 2025 for the fiscal year ended October 31, 2024 (the "AIF") and the annual audited consolidated financial statements for the year to date period ended on October 31, 2024, a copy of which is available under the Company's profile on SEDAR at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

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

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

Basis of Presentation and Going Concern

Our annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are presented in Canadian dollars. Accordingly, unless otherwise noted herein, all financial information in this MD&A is presented in Canadian dollars. References to North America refer to Canada and the United States.

All references in this MD&A to "Fiscal 2024" are to the fiscal year ended October 31, 2024, and "Fiscal 2023" are to the fiscal year ended October 31, 2023.

The Company's financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at October 31, 2024, the Company has an accumulated deficit of $325.4 million and for the year ended October 31, 2024, a net loss of $38.3 million and cash flows used in operating activities of $10.3 million. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations, obtain financing and maintain compliance with debt covenants. The Company will also seek to improve its results from operations and cash flows by prioritizing higher margin channels and reducing operating costs by streamlining its operations and support functions. The Company will need to raise additional capital and negotiate modifications to the Company's existing borrowings to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and negotiating modifications to its existing borrowings and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so on terms favourable for the Company. The above events and conditions indicate there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The annual audited consolidated financial statements and the accompanying notes for Fiscal 2024 were reviewed and approved by the Company's Board of Directors (the "Board") on January 29, 2025.

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Non-IFRS and Other Financial Measures

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

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

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

Business Overview

Our History

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

Key Milestones

During and subsequent to the year ended October 31, 2024

- Announced the launch of a new product line, Flow Sparking Mineral Spring Water, set to debut in Canada in 2025, followed by a rollout in the United Stated. Flow Sparking Mineral Spring Water will be available in 300ml aluminum bottles, featuring a range of flavors.
- Entered new distribution partnerships with Pantree, Horizon Nature, Spud and Krombacher to service and expand our B2B business.
- Launched additional formats for key food service partners, and in 142 Food Basics stores.

- Listed Flow 1L format in over 500 Parkland locations across Canada.

- Entered into a sponsorship agreement with the Toronto International Film Festival ("TIFF") for the 2024 and 2025 festivals, whereby Flow is the official sponsor and the exclusive hydration partner of TIFF within the still and sparkling water categories.

- Continued momentum in premium hotels, including the Georgia Hotel in Downtown Vancouver.

- Entered into manufacturing agreement with BioSteel Sports Inc. ("BioSteel") whereby Flow will manufacture and package BioSteel sport hydration beverages in the Tetra Prisma format. The agreement has a term of three years with commitments from BioSteel to purchase minimum annual volumes which equate to approximately $19.3 million in revenue over the term.

- Amended the BeatBox Beverages manufacturing agreement, to extend term from five to six years, and increase total contract revenue from $115 million to $213 million.

- Entered into manufacturing agreement with a leading beverage brand, and with a minimum total revenue of over $13 million over the three-year term.

- Amended the Joyburst manufacturing agreement, to extend term from three years to four years and increase total contract revenue from $13.5 million to $19.5 million over the term.

- Entered into a term loan on October 31, 2024 with RI Flow LLC in the amount of USD $3,000,000, bearing interest at 15% per annum, for a period of six months.

- Undertook a non-brokered private placement on December 31, 2024 for the issue and sale to, and the purchase by certain subscribers, of up to 7,000 unsecured convertible debenture units ("the Units") at a price of $10,000 per unit, for aggregate gross proceeds of up to $7,000,000, to be closed in one or more offerings no later than February 1, 2025. To date, a total of 172,992 of the Units were issued for gross proceeds of $1.7 million.

- Completed a non-brokered private placement, raising gross proceeds of $3,374,000 through the issuance of 12,050,000 subordinate voting shares ('SVS') at a price of $0.28 per SVS, to RI Flow LLC.

Our Business Model

Flow is an innovative beverage company and one of the pioneers in the "better for you better for the planet" consumer needs state. Most of our business is represented by Flow Alkaline Spring Water; however, the Company has expanded into a variety of organic flavored waters. As of the date of filing, Flow owns two virtually identical water sources in terms of key minerals, in Bruce County, Ontario and Augusta County, Virginia. Flow packages its products in its production facility in Aurora. The packaging facility in Aurora, Ontario consists of approximately 150,000 square feet, operates four Tetra Pak A3 / Flex filling machines and has a capacity of approximately 500,000 Tetra Paks per day.

Flow markets its premium alkaline spring water in original unflavored and a range of award-winning organic in sizes ranging from 330 ml to 1 liter, and in six, twelve, eighteen and twenty-four pack. Flow gets product to market through an omni-channel distribution strategy, including conventional, food service and convenience channels. As part of this strategy, the Company leverages a network of distributors to support our coverage of over 38,000 stores in North America. Flow operates a fast-growing e-commerce business mostly developed with Shopify with more than 4,000 subscription customers. Flow has also developed strategic partnerships with third party premium brands in adjacent categories to co-pack their products in the Tetra Prisma format. As at the date hereof, Flow had approximately 120 full-time employees; 117 in Canada and 3 in the United States. Flow has a robust ESG agenda, including sustainable packaging, resources preservation, carbon neutrality and a high score on our B-Corp certification.

Sales and Marketing Strategy

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

1. **Further investment in key channels** - Over the course of the next three years, invest in Natural and Conventional channels to support continued retail growth.
2. **Grow our ecommerce business** - Leverage the successful direct-to-consumer ("DTC") subscription program, continuing to directly engage with our rapidly growing customer base.
3. **Expand into food service** - Broaden consumer product trial to generate incremental revenue while responding to the increasing receptivity to sustainable packaging.
4. **Innovate and expand our product portfolio within our core and adjacent categories** - Drive meaningful innovation that is focused on deepening our relationship with the Glow Getter and Wellness Enthusiast, delivering products that enhance her holistic wellness lifestyle while ensuring Flow shows up across all her functional beverage occasions. Through innovation, we will continue to not only unlock new revenue opportunities across DTC and our growing retail channels but also deliver new stories and campaigns to keep our audiences and partners engaged in the Flow brand.
5. **Build and amplify our brand** - Establish Flow as the leading premium water brand focused on product superiority and sustainability by continuously looking for new ways to connect with our community of core consumers through digital campaigns, social media, influencer partnerships, athlete and celebrity relationships, and event sponsorships – both at the community and brand-defining levels.

Our Financial Model

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

How We Assess the Performance of Our Business

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

Revenue

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

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

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

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

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

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

Refer to Notes 17 & 23 in our annual audited consolidated financial statements for the disclosure on disaggregated revenue.

Gross profit

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

Gross margin

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

Sales and marketing

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

General and administrative

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

Salaries and benefits

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

EBITDA Loss

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

Adjusted EBITDA Loss

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

Adjusted Net Loss

"Adjusted Net Loss" is defined as consolidated net loss adjusted for the impact of: (i) restructuring and other transaction costs; (ii) gain on recognition of derivative liability and option cancellations, (iii) loss (gain) on option revaluation and gain on debt modification; (iv) share-based compensation. Adjusted Net Loss is a non-IFRS financial measure and its most directly comparable financial measure that is disclosed in our financial statements is net loss. We believe Adjusted Net Loss is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance.

Sustainability

Flow believes that doing what's best for its customers also means doing what's best for the planet. As a result, Flow has always committed to utilizing high-quality, sustainably sourced, naturally alkaline spring water, packaged in mostly renewable plant-based, recyclable cartons.

Sustainability for Flow includes minimizing its impacts on the environment, maximizing its positive impacts on customers' health and wellness, and giving back to the communities it operates in and benefits from. Flow is also committed to the following sustainability pillars:

- Protecting our sources
- Using sustainable packaging
- Climate protection
- Supporting the circular economy
- Having positive social impacts

Flow has the highest B Corp rating of any bottled water company in the world and has been a Certified B Corp since 2017. B Corp certification is only given to companies that meet the highest standards of environmental sustainability and accountability and use business as a force for good.

These achievements are no accident. Flow's packaging, supplied by Tetra Pak, is made with up to 81% renewable materials. The largest ingredient in our packaging material is paperboard, which is sourced from the Forest Stewardship Council ("FSC"), while the cap is made from renewably sourced sugarcane. Our flavors are QAI Organic certified as we strive to give our consumers the cleanest ingredients possible, while also helping to reduce the number of harmful chemicals released into our environment.

Together, the steps Flow has taken to operate with the highest environmental standards has diverted over 130 million plastic bottles of water from entering landfills and with zero net operational emissions.

Flow also makes ongoing donations to charitable causes, supporting disaster relief efforts across the US and Canada, and had over 300 volunteer hours from its employees supporting community outreach and engagement.

Company Outlook

The Company's strategy is focused on the long-term profitable growth of the Flow brand. Industry trends for premium, sustainable and enhanced water remain favorable. Elevated demand for sustainable product formats and recent contract wins are expected to help accelerate growth of Flow brand net revenue.

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

Summary of Factors Affecting Performance

Foreign Exchange

Our annual audited consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. As we continue to execute on our omni-channel distribution strategy in the US, a larger portion of our revenue and cost of goods sold are derived in US dollars. A significant portion of our revenue and cost of goods sold continue to be derived in US dollars as a result of our continued growth and market penetration. We do not hedge our exchange rate exposure through financial instruments. As we continue to expand our footprint in North America, we will assess our currency exposure and take further steps as may be required to proactively manage this exposure.

Seasonality

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

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Results of Operations – Fourth Quarter

In Canadian dollars except percentages	Three-month period ended October 31			
	2024		2023	
	$	% of revenue	$	% of revenue
Net revenue	11,847,830	100%	9,691,696	100%
Cost of revenue	9,376,552	79%	8,828,006	91%
Gross profit	2,471,278	21%	863,690	9%
	21%		9%	
Operating expenses				
Sales and marketing	972,011	8%	2,707,458	28%
General and administrative	3,304,298	28%	7,689,636	79%
Salaries and benefits	1,424,857	12%	1,712,618	18%
Amortization and depreciation	517,375	4%	(78,815)	(1%)
Share-based compensation	422,408	4%	367,796	4%
Operating expenses	6,640,949	56%	12,398,693	128%
Loss before the following	**(4,169,671)**	**(35%)**	**(11,535,003)**	**(119%)**
Other income	(48)	—	(873,180)	-9%
Finance expense, net	2,957,488	25%	(510,900)	-5%
Foreign exchange loss (gain)	36,686	0%	317,013	3%
Restructuring and other transaction costs	1,521,587	13%	327,337	3%
Loss on option cancellations	(6,461)	—	86,416	1%
Net loss for the period	**(8,678,923)**	**(73%)**	**(10,881,689)**	**(112%)**
Other comprehensive gain (loss) that may be reclassified to profit or loss subsequently				
Exchange gain(loss) on translation of foreign operations	(93,805)	(1%)	1,670,396	17%
Net other comprehensive loss	**(93,805)**	**(1%)**	**1,670,396**	**17%**
Total comprehensive loss	**(8,772,728)**	**(74%)**	**(9,211,293)**	**(95%)**
Loss per share – basic and diluted	$ (0.11)		$ (0.19)	
Weighted average number of common shares outstanding – basic and diluted	78,793,501		56,328,052	
Total Assets	77,631,825		54,935,547	
Non-Current Liabilities	53,358,961		27,578,333	
EBITDA loss	**(4,563,556)**	**(39%)**	**(11,296,479)**	**(117%)**
Adjusted EBITDA loss	**(2,626,022)**	**(22%)**	**(10,514,930)**	**(108%)**
Adjusted net loss	**(6,741,389)**	**(57%)**	**(12,241,671)**	**(126%)**

Net revenue

Net revenue increased by 22%, or $2.1 million, to $11.8 million, compared to $9.7 million in Q4 2023. The increase in gross revenue is primarily driven by the increase in co-pack sales by 115%, or $3.0 million, to $5.5 million in Q4 2024, compared to $2.5 million in Q4 2023. The increase in co-pack sales is driven by new co-packing agreements and increased volumes for existing partnerships. This is partially offset by a decrease in Flow brand net revenue due to the strategic exit of commercial partnerships with certain US retail partners, temporary disruptions to production and portfolio optimization to focus on higher-margin opportunities.

Cost of revenue

Cost of revenue increased by 6%, or $0.6 million, to $9.4 million, compared to $8.8 million in Q4 2023. The increase in cost of revenue compared to comparable periods is driven by the increase in production within the quarter and certain operational costs attributed to Aurora facility. Cost of revenue as a percentage of revenue decreased to 79% compared to 91% in 2023.

Gross profit

Gross profit increased by 186%, or $1.6 million, to $2.5 million, compared to $0.9 million in Q4 2023. Gross margin increased to 21% of revenue, compared to 9% in Q4 2023. Higher gross margin was driven by overhead absorption and production efficiencies gained through the consolidation of production to the Aurora production facility, the addition of a fourth line, a focus on higher margin channels for the Flow brand, ramp-up of co-pack and profitability improvements in e-commerce.

Sales and marketing

Sales and marketing expense decreased by 64%, or $1.7 million, to $1.0 million, compared to $2.7 million in Q4 2023. The decrease is associated with a marketing rebate recorded in the period related to qualifying marketing activities that promote Flow branded products and growth in the Tetra packaging format. Sales and marketing expense as a percentage of revenue decreased to 8% compared to 28% in 2023.

General and administrative

General and administrative expense decreased by 57%, or $4.4 million, to $3.3 million, compared to $7.7 million in Q4 2023. The decrease reflects the results of our comprehensive, cross-functional restructuring efforts which were substantially completed by the end of Q1 2024. As a subset of general and administrative expenses, logistics and distribution was materially lower than prior year after a complete redesign of our fulfillment and logistics strategy, anchored in a transition to third party logistics ("3PL"). General and administrative expense as a percentage of revenue decreased 51% to 28% in Q4 2024 compared to 79% in Q4 2023.

Salaries and benefits

Salaries and benefits decreased by 17%, or $0.3 million, to $1.4 million, compared to $1.7 million in Q4 2023. The decrease reflects the substantial completion of the Company's restructuring efforts. Salaries and benefits expense as a percentage of revenue decreased to 12% compared to 18% in Q4 2023.

Amortization and depreciation

Amortization and depreciation expense increased by 754% to $0.5 million, compared to ($0.07) million in Q4 2023 due to a reversal of depreciation in that quarter.

Share-based compensation

Share-based compensation expense remained flat at $0.4 million, in Q4 2024 and 2023. Share-based compensation expense as a percentage of revenue also remained flat at 4% in Q4 2024 and 2023.

Finance expense

Finance expense increased by 679%, or $3.5 million, to $3.0 million, compared to ($0.5) million in Q4 2023. The increase is related to incremental costs of borrowing secured during fiscal 2023, and during the three months ended October 31, 2024, to support working capital requirements and capital projects. Finance expense as a percentage of revenue increased to 25% compared to -5% in Q4 2023.

Foreign exchange loss (gain)

Foreign exchange loss decreased by 88%, or $0.3 million, from the foreign exchange loss of $0.3 million in Q4 2023 to foreign exchange expense of $0.03 million Q4 2024.

Restructuring and other transaction costs

Restructuring and other transaction costs increased by 365%, or $1.2 million, to $1.5 million, compared to $0.3 million in Q4 2023. The increase is a result of additional staff restructuring and continuation of logistics restructuring. Restructuring and other transaction costs as a percentage of revenue increased to 13% compared to 3% in Q4 2023.

Net loss

Net loss decreased by 20%, or $2.2 million, to $8.7 million in Q4 2024, compared to a loss of $10.9 million in Q4 2023.

EBITDA loss[1] decreased by 60%, or $6.7 million, to $4.6 million, compared to $11.3 million in Q4 2023.

Adjusted EBITDA loss decreased by 75%, or $7.9 million, to $2.6 million, compared to $10.5 million in Q4 2023.

Adjusted net loss decreased by 45%, or $5.5 million, to $6.7 million, compared to $12.2 million in Q4 2023.

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

Results of Operations – Full Year

In Canadian dollars except percentages	Twelve-month period ended October 31			
	2024		2023	
	$	% of revenue	$	% of revenue
Net revenue	45,930,046	100%	46,675,139	100%
Cost of revenue	36,745,319	80%	40,001,644	86%
Gross profit	9,184,727	20%	6,673,495	14%
	20%		14%	
Operating expenses				
Sales and marketing	5,524,960	12%	7,476,394	16%
General and administrative	14,177,804	31%	21,960,622	47%
Salaries and benefits	8,735,143	19%	12,592,725	27%
Amortization and depreciation	3,236,149	7%	571,866	1%
Share-based compensation	3,104,563	7%	2,422,104	5%
	34,778,619	76%	45,023,711	96%
Loss before the following	**(25,593,892)**	**(56%)**	**(38,350,216)**	**(82%)**
Other income	(47,316)	(0%)	(854,576)	(2%)
Finance expense, net	9,782,863	21%	3,322,307	7%
Foreign exchange loss (gain)	126,925	0%	506,254	1%
Restructuring and other transaction costs	2,865,454	6%	1,563,579	3%
Loss on option revaluation	(70,504)	(0%)	86,416	0%
Net loss for the period	**(38,251,314)**	**(83%)**	**(42,974,196)**	**(92%)**
Other comprehensive gain (loss) that may be reclassified to profit or loss subsequently				
Exchange gain(loss) on translation of foreign operations	1,192,111	3%	1,230,438	3%
Net other comprehensive loss	**1,192,111**	**3%**	**1,230,438**	**3%**
Total comprehensive loss	**(37,059,203)**	**(81%)**	**(41,743,758)**	**(89%)**
Loss per share – basic and diluted	$ (0.54)		$ (0.77)	
Weighted average number of common shares outstanding – basic and diluted	70,421,432		55,723,267	
Total Assets	77,631,825		54,935,547	
Non-Current Liabilities	53,358,961		27,578,333	
EBITDA loss	**(23,877,963)**	**(52%)**	**(38,145,368)**	**(82%)**
Adjusted EBITDA loss	**(17,978,450)**	**(39%)**	**(34,073,269)**	**(73%)**
Adjusted net loss	**(32,979,778)**	**(72%)**	**(40,955,552)**	**(88%)**

Net revenue

Net revenue decreased by 2%, or $0.7 million, to $46.0 million for the period ended October 31, 2024, compared to $46.7 million for the period ended October 31, 2023. The decrease is primarily driven by a $2.2 million decrease in US gross revenue due to the full year impacts of a contract termination with a distribution partner, terminating a large food service relationship, and exit of discount channel as part of a premium brand positioning strategy. This was partially offset by new listings (both doors and SKUs) with UNFI and Whole Foods Market. We were unable to sell in NY for most of fiscal 2024 but secured our license in early Q4 2024. This enabled December shipments, supporting expected growth across all channels in fiscal 2025. Gross revenue in Canada remained relatively stable, with organic growth in the drug channel and the introduction of new SKUs into club channel and the exit of the vitamin water SKU.

Gross revenue from e-commerce sales remained stable compared to prior year, with a transition to Amazon Vendor Central in the fourth quarter offsetting fulfilment delays experienced during the year.

Gross revenue from co-packing increased by 36% or $4.7 million, compared to the prior year. The increase related to higher volumes coming from new manufacturing service agreements and growth in existing co-packing client volume.

Cost of revenue

Cost of revenue decreased by 8%, or $3.3 million, to $36.7 million for the year ended October 31, 2024, compared to $40.0 million for the year ended October 31, 2023. The decrease in cost of revenue is driven by the consolidation of all Flow brand production to the Aurora production facility, better overhead absorption due to the addition of a fourth line and the elimination of the tolling fee incurred for US production. Cost of revenue as a percentage of revenue decreased to 80% for the year ended October 31, 2024, compared to 86% for the year ended October 31, 2023.

Gross profit

Gross profit increased by 38%, or $2.5 million, to $9.2 million for the period ended October 31, 2024, compared to $6.7 million for the period ended October 31, 2023. Gross margin increased to 20% of revenue for the year ended October 31, 2024, compared to 14% for the year ended October 31, 2023. Higher gross margin was driven by consolidation of production to the Aurora production facility, a focus on higher margin channels for the Flow brand, ramp-up of co-pack and profitability improvements in e-commerce.

Sales and marketing

Sales and marketing expense decreased by 26%, or $2.0 million, to $5.5 million for the year ended October 31, 2024, compared to $7.5 million for the year ended October 31, 2023. The decrease is driven by realignment of spend, exiting certain ineffective sponsorship agreements, and a higher rebate applicable to qualifying marketing activities associated with growth in Flow branded product and the Tetra packaging format. Sales and marketing expense as a percentage of revenue decreased to 12% for the year ended October 31, 2024, compared to 16% for the year ended October 31, 2023.

General and administrative

General and administrative expense decreased by 35%, or $7.8 million, to $14.2 million for the year ended October 31, 2024, compared to $22.0 million for the year ended October 31, 2023. The decrease reflects the results of our comprehensive, cross-functional restructuring efforts which were substantially completed by the end of Q1 2024. As a subset of general and administrative expenses, logistics and distribution was materially lower than prior year after a complete redesign of our fulfillment and logistics strategy, anchored in a transition to 3PL. General and administrative expense as a percentage of revenue decreased to 31% for the year ended October 31, 2024, compared to 47% for the year ended October 31, 2023.

Salaries and benefits

Salaries and benefits decreased by 31%, or $3.9 million, to $8.7 million for the year ended October 31, 2024, compared to $12.6 million for the year ended October 31, 2023. The decrease is primarily related to the same factors explained in the three-month period. Salaries and benefits expense as a percentage of revenue decreased to 19% for the year ended October 31, 2024, compared to 27% in the year ended October 31, 2023.

Amortization and depreciation

Amortization and depreciation expenses increased by 466% to $3.2 million, compared to $0.6 million in October 31, 2023. The increase was the result of the reclassification of assets previously held for sale which resulted in a catch-up of $1,715,230 of amortization and depreciation being recorded that represents the amortization and depreciation that would have been recognized had the assets not been classified as held for sale.

Share-based compensation

Share-based compensation expense increased by 28%, or $0.7 million, to $3.1 million for the year ended October 31, 2024, compared to $2.4 million for the year ended October 31, 2023. The increase was primarily related to the Company's long term incentive plan ("LTIP") which issued restricted share units ("RSU") of 2.9 million. The LTIP program is meant to align Management and shareholder interests in relation to growth in long-term shareholder value. Share-based compensation expense as a percentage of revenue increased to 7% for the year ended October 31, 2024, compared to 5% for the year ended October 31, 2023.

Finance expense

Finance expense increased by 195%, or $6.5 million, to $9.8 million for the year ended October 31, 2024, compared to $3.3 million for the year ended October 31, 2023. The increase is primarily related to increased lease expenses of $0.8 million, and increased borrowing costs of $4.2 million. Finance expense as a percentage of revenue increased to 21% for the year ended October 31, 2024, compared to 7% for the year ended October 31, 2023.

Foreign exchange loss (gain)

Foreign exchange loss was $0.1 million for the year ended October 31, 2024, compared to loss of $0.5 million for the year ended October 31, 2023, due to fluctuations in the exchange rates of our functional currency relative to various source currencies, primarily the United States dollar, during both years.

Restructuring and other transaction costs

Restructuring and other transaction costs increased by 83%, or $1.3 million, to $2.9 million for the year ended October 31, 2024, compared to $1.6 million for the year ended October 31, 2023. The current year balance of $2.9 million reflects costs related to the strategic restructuring of the Company, as we continue to focus on improved operational efficiencies, while the prior year balance of $1.6 million reflects costs related to impairment of intellectual property due to the Company's decision to discontinue production of certain products and restructuring the Management team of the Company. Restructuring and other transaction costs as a percentage of revenue increased to 6% for the year ended October 31, 2024, compared to 3% for the year ended October 31, 2023.

Net loss

Net loss decreased by 11%, or $4.7 million, to $38.3 million for the year ended October 31, 2024, compared to $43.0 million for the year ended October 31, 2023.

EBITDA loss decreased by 37%, or $14.2 million, to $23.9 million for the year ended October 31, 2024, compared to $38.1 million for the year ended October 31, 2023.

Adjusted EBITDA loss decreased by 47% or $16.1 million, to $18.0 million for the year ended October 31, 2024, compared to $34.1 million for the year ended October 31, 2023.

Adjusted net loss decreased by 20%, or $8.0 million, to $33.0 million for the year ended October 31, 2024, compared to $41.0 million for the year ended October 31, 2023.

Selected Quarterly Information

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

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
	$	$	$	$	$	$	$	$
Net revenue	11,847,830	13,759,877	12,054,530	8,267,809	9,691,696	13,156,526	13,975,452	9,851,465
Gross profit	2,471,278	4,629,252	3,341,716	(1,257,519)	893,690	417,047	2,473,199	2,919,559
Net loss	(8,678,923)	(7,179,079)	(7,028,493)	(15,364,819)	(10,881,689)	(14,263,825)	(10,130,334)	(7,698,348)
Loss per share - basic and diluted	(0.11)	(0.10)	(0.10)	(0.27)	(0.19)	(0.26)	(0.18)	(0.14)

Liquidity and Capital Resources

Overview

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

Cash Flows

The following table presents our cash flows for the year ended October 31, 2024, and October 31, 2023:

	Twelve-month period ended October 31	
In Canadian dollars	**2024**	**2023**
Cash flows used in operating activities	(10,255,619)	(25,817,737)
Cash flows (used in) provided by investing activities	(912,919)	16,810,237
Cash flows from (used in) financing activities	13,281,483	13,220,712
Net change in cash during the period	2,112,945	4,213,212
Cash, beginning of the period	6,494,733	2,281,521
Cash, end of the period	**8,607,678**	**6,494,733**

Cash flow used in operating activities

Cash flow used in operating activities decreased by 60%, or $15.6 million, to negative $10.3 million, compared to negative $25.8 million for the year ended October 31, 2023. The decrease in fiscal year 2024 is primarily related to the change in Flow’s working capital balances. The working capital changes in fiscal year 2024 reflect a reduction in inventory and accounts receivable offset by an increase in accounts payable.

Cash flow (used in) provided by investing activities

Cash flow used in investing activities decreased by 105%, or $17.7 million, to $0.9 million, compared to $16.8 million provided by investing activities in the year ended October 31, 2023. The decrease is primarily related to investment in capital expenditures for the Aurora production facility in fiscal year 2024, offset by proceeds received related to the divesture of our Verona production facility in fiscal year 2023.

Cash flow from (used in) financing activities

Cash flow from financing activities increased by 0.5%, or $0.1 million, to $13.3 million, compared to $13.2 million in the year ended October 31, 2023. The increase is primarily related to $19.9 million in proceeds from borrowings and $3.4 million in proceeds from the issuance of common shares received in the year ended October 31, 2024, offset by repayment of borrowings of $2.6 million, repayment of interest of $4.1 million, and payment of lease obligations of $3.3 million.

Non-IFRS and Other Financial Measures

The following tables provide a reconciliation of consolidated net loss to EBITDA loss, adjusted EBITDA loss and adjusted net loss for the three and twelve-month periods ended October 31, 2024, and October 31, 2023:

	Three-month period ended October 31		Twelve-month period ended October 31	
In Canadian dollars	**2024**	**2023**	**2024**	**2023**
Consolidated net loss:	**(8,678,923)**	**(10,881,689)**	**(38,251,314)**	**(42,974,196)**
Income tax expense	34,031	—	(12,279)	—
Finance expense, net	2,957,488	(510,900)	9,782,863	3,322,307
Amortization and depreciation	1,123,848	96,110	4,602,767	1,506,521
EBITDA loss	**(4,563,556)**	**(11,296,479)**	**(23,877,963)**	**(38,145,368)**
Restructuring and other transaction costs	1,521,587	327,337	2,865,454	1,563,579
Share-based compensation	422,408	367,796	3,104,563	2,422,104
Loss on option revaluation	(6,461)	86,416	(70,504)	86,416
Adjusted EBITDA loss	**(2,626,022)**	**(10,514,930)**	**(17,978,450)**	**(34,073,269)**
Consolidated net loss:	**(8,678,923)**	**(10,881,689)**	**(38,251,314)**	**(42,974,196)**
Restructuring and other transaction costs	1,521,587	327,337	2,865,454	1,563,579
Gain on debt extinguishment	—	(2,141,531)	(627,977)	(2,141,531)
Loss on change in fair value of derivative liability	—	—		88,076
Share-based compensation	422,408	367,796	3,104,563	2,422,104
Loss (gain) on option revaluation	(6,461)	86,416	(70,504)	86,416
Adjusted net loss	**(6,741,389)**	**(12,241,671)**	**(32,979,778)**	**(40,955,552)**

See "*How We Assess the Performance of Our Business*" for an explanation of the composition of such measure.

Off-Balance Sheet Arrangements

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

Current Share Information

As of the date hereof, the Company had 6,106,566 Multiple Voting Shares and 76,776,307 Subordinate Voting Shares issued and outstanding. As of the date hereof, an aggregate of 1,486,778 options to acquire common shares are outstanding, an aggregate of 9,565,967 warrants to acquire common shares are outstanding, an aggregate of 2,153,477 deferred share units representing the right to receive common shares in accordance with the Company's Omnibus incentive plan and an aggregate of 3,889,354 restricted share units representing the right to receive common shares in accordance with the terms of our long-term incentive plan.

Critical Accounting Judgments and Estimates

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

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

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

Promotional incentives

For various promotional incentives, the Company estimates the most likely amount payable to each customer under each trade and incentive program using expected sales volume and historical spending patterns.

Assets held for sale

The determination as to whether a disposal group meets the requirements to be classified as held for sale, and the assets and liabilities to be included within that disposal group, requires management's judgment. Management must also exercise judgment when determining at which date all the criteria are satisfied for the asset or liability to be classified as held for sale. Management must use estimates when determining the fair value less costs to sell of the disposal group to assess if the carrying value of the disposal group is greater than its recoverable amount.

Trade and other receivables

The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company has established a process to review historical credit loss experiences and assess forward-looking factors specific to the debtors and the economic environment.

Inventories

Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow movement. Actual net realizable value can vary from the estimated provision.

The cost of inventories also involves estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

Debt modifications

In accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), the Company is required to assess whether a modification to a debt instrument results in a modification or extinguishment. In an extinguishment, the financial liability, which represents the obligation to pay coupon interest and principal in the future, is initially measured at its fair value and subsequently measured at amortized cost. When measuring the fair value of the liability, it is based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Co-packing revenue

The Company enters into co-packing agreements with customers. The Company is required to make estimates regarding the total number of units to be delivered under the contract. The Company also makes

estimates regarding the total consideration to which the Company expects to be entitled to in exchange for the services provided. The total consideration to which the Company expects to be entitled to can vary based on estimates regarding penalties for minimum purchase commitments, expected total units to be delivered and pricing discounts. Revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

Fair Values

The carrying values of cash, trade and other receivables, trade and other payables and borrowings approximate fair values due to the short-term nature of these items or being carried at fair value or, for borrowings, interest payables are close to the current market rates except for interest adjustment embedded derivative liability for one of the Company's borrowings which recognized on the annual audited consolidated financial statements as a derivative liability and the fair value changes are recognized on the consolidated statement of loss and comprehensive loss.

Financial instruments recorded at fair value on the consolidated financial statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

1. Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

2. Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

3. Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

Fair value of stock options is determined using the Black-Scholes option-pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates.

New standards, amendments and interpretations adopted by the Company

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments did not have an impact on the Financial Statements.

IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The amendments did not have an impact on the Financial Statements.

Significant New Accounting Standards Not Yet Adopted

IAS 1, Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

All other IFRS and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Financial Statements.

Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments clarify that a financial liability is to be derecognized on the "settlement date" and introduces an accounting policy to derecognize financial liabilities settled through an electronic payment system before settlement date if certain conditions are met; clarify how to assess the contractual cash flow characteristics of financial assets that include "environmental, social and governance" - linked features and other similar contingent features; clarify the treatment of non-recourse assets and contractually linked instruments; and require additional disclosures for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income. These amendments will be effective for annual periods beginning on or after January 1, 2026 and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and can apply other amendments subsequently. The Company does not expect material impacts from these amendments on its annual Financial Statements.

Issuance of IFRS 18 ("IFRS 18"): Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which will replace IAS 1. The issuance introduces new categories and subtotals in the consolidated statements of loss and comprehensive loss, requires disclosure of management-defined performance measures, and includes new requirements for the location, aggregation and disaggregation of financial information. The new standard will require the classification of all income and expenses within the consolidated statements of loss and comprehensive loss into one of five categories: operating, investing, financing, income taxes, and discontinued operations. In addition, entities will be required to present subtotals and totals for "operating profit or loss", "profit or loss before financing and incomes taxes" and "profit or loss"; introduce the concept of a management-defined performance measure ("MPM"), which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate Management's view of an aspect of the financial performance of the entity. The standard will require the disclosure of information about an entity's MPMs, including how the measure is calculated and reconciled to the most comparable subtotal specified by IFRS; and introduce a principle for determining the location of information based on identified "roles" of the primary financial statements and the notes as well as require aggregation and disaggregation of information with reference to similar and dissimilar characteristics. IFRS 18 will be effective for annual periods beginning on or after January 1, 2027, and will apply retrospectively. Early adoption is permitted and must be disclosed. The Company is in the process of evaluating the impact of this standard on its annual Financial Statements.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at www.sedar.com.

In the preparation of the Financial Statements, Management is required to identify when events or conditions indicate that there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, taking into account its anticipated cash from operations and its borrowing capacity. The Company's ability to continue as a going concern for the next 12 months involves significant judgment and is dependent on the availability under the Company's borrowings and its ability to generate positive flows from operating activities. Based on current funds available and expected cash flow from operating activities, Management believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future. However, if Management is unable to execute on its strategic plans, which include achieving targets for Flow branded product sales and co-packing revenue, optimizing the Company's production facility, lowering logistics costs to targeted levels or achievement of all other functional area cost reductions through its restructuring, it may be required to seek additional capital in the form of debt or equity or a combination of both. Management's current expectations with respect to future events are based on currently available information and the actual outcomes may differ materially from those current expectations.

We identified material weaknesses in our internal control over financial reporting. This may adversely affect the accuracy and reliability of our financial statements and, if we fail to maintain effective ICFR it could impact our reputation, business, and the price of our common shares, as well as lead to a loss of investor confidence in us.

The Company has and may continue to fail to maintain the adequacy of its internal controls over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company cannot ensure that it will conclude on an ongoing basis that it has effective internal controls over financial reporting. The Company's failure to satisfy the requirements of Canadian and United States legislation on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements or in a cease trade order, which in turn could harm the Company's business and negatively impact the trading price and market value of its shares or other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations.

The Company has and may continue to fail to maintain the adequacy of its disclosure controls. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure.

No evaluation can provide complete assurance that the Company's financial and disclosure controls will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgements.

As described in *Disclosure Controls and Procedures and Internal Control Over Financial Reporting*, a deficiency in the Company's internal control over financial reporting was determined to exist at October 31, 2024 and this deficiency has not been remediated to date. The Chief Executive Officer and Chief Financial Officer, with the support of the Company's Management, have concluded that our internal control over financial reporting was not effective as of October 31, 2024 due to the presence of this material weakness. While new and revised controls are being adopted to remediate this weakness, if these and other controls fail to adequately remediate this material weakness, it could result in loss of investor confidence, which could lead to a decline in our stock price. In addition, if we do not maintain adequate financial and Management personnel, processes, and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in our share price and harm our ability to raise capital. Failure to accurately report our financial performance on a timely basis could also jeopardize our continued listing on the TSX or any other exchange on which our common shares may be listed.

Financial Instruments

In addition, we are exposed to a variety of financial risks in the normal course of operations including credit, market, interest rate, foreign currency and liquidity risk. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

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

Credit Risk

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

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

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

Interest Rate Risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at October 31, 2024 as there are no material long-term borrowings outstanding subject to variable interest rates.

Foreign Currency Risk

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

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

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these annual audited consolidated financial statements.

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

The Company is obligated to the following contractual maturities of undiscounted cash as at October 31, 2024:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	$	$	$	$	$	$	$
Trade and other payables	27,393,147	27,393,147	—	—	—	—	27,393,147
Lease obligations	31,334,992	4,559,504	5,346,608	4,075,781	4,176,525	25,929,035	44,087,453
Borrowings	46,924,161	29,338,130	24,075,680	—	—	—	53,413,810
Convertible debt	2,575,702	280,244	280,244	280,244	280,244	3,082,687	4,203,663
	108,228,002	61,571,025	29,702,532	4,356,025	4,456,769	29,011,722	**129,098,073**

Refer to Note 11 in the annual audited consolidated financial statements for a detailed discussion of the Company's borrowings, including new borrowings during the fiscal year.

Covenants

As at October 31, 2024, in anticipation of not complying with the covenants under certain term loans, the Company obtained from the lender an agreement to waive the Company's compliance with the covenants solely for the fiscal quarter ending October 31, 2024. Refer to Note 11 in the annual audited consolidated financial statements.

Related Party Transactions

The Company identifies a related party as a person or an entity that is related to the Company. A person or a close member of that's person's family is related to the Company if that person has control, joint control or significant influence over the Company or is a member of its key Management personnel. Key Management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly. During the fiscal years ended 2024 and 2023, the company enters to transactions with related party, refer to Note 20 in our annual audited consolidated financial statements for the full disclosure.

Management of Capital

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

Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value.

Subsequent Events

Subsequent to October 31, 2024 the terms of the 2022 unsecured debt, as detailed in Note 11 of the annual audited consolidated financial statements, were amended to reflect the following: accrued interest for the period from November 1, 2023 to August 1, 2024 at the rate of 12% will be paid on November 1, 2025. Repayment of the four principal payments scheduled to commence November 1, 2024 will now be repaid on November 1, 2025.

Subsequent to October 31, 2024 the terms of the short term note from NFS, as detailed in Note 11 of the annual audited consolidated financial statements, were amended to revise the maturity date to on or before July 31, 2025.

On December 31, 2024 the Company announced the closing of the first tranche of a non-brokered private placement offering (the "Private Placement") of unsecured convertible debenture units of the Company (collectively, the "Convertible Debenture Units"), in which it issued and sold 172.992 Convertible Debenture Units at a price of CDN$10,000 per Convertible Debenture Unit for gross proceeds of CDN$1.73 million. The Company intends to close the balance of the Private Placement for total gross proceeds of up to CDN$7,000,000 (including the first tranche) in one or more additional tranches on such date(s) as may be determined by the Company.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company has filed certificates signed by its Chief Executive Officer and its Chief Financial Officer ("Certifying Officers") that, among other things, report on the design and operating effectiveness of disclosure controls and procedures ("DC&P") and the design and operating effectiveness of internal control over financial reporting ("ICFR"). The establishment and maintenance of DCP and ICFR is the responsibility of management. In addition, the Certifying Officers have certified that the Company has disclosed in this MD&A for each material weakness relating to design existing at the financial year end (a) a description of the material weakness; (b) the impact of the material weakness on the Company's financial reporting and its ICFR; and (c) the Company's current plans, if any, or any actions already undertaken, for remediating the material weakness.

Disclosure Controls and Procedures ("DC&P")

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers, and that information required to be disclosed to satisfy the Company's continuous disclosure obligations is recorded, processed, summarized, and reported within the time periods specified by applicable Canadian securities legislation. Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of the DC&P and based on that evaluation, the Certifying Officers have concluded that the DC&P were not effective as at October 31, 2024.

Internal Controls Over Financial Reporting (“ICFR”)

In accordance with NI 52-109, the establishment and maintenance of DCP and ICFR is the responsibility of Management. DCP and ICFR has been designed by Management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company’s ICFR includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any.

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

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of ICFR and based on that evaluation, the Certifying Officers have concluded that the Company’s ICFR was not effective as at October 31, 2024, due to the existence of certain material weaknesses relating to design existing at financial year end.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the assessment of the effectiveness of the Company’s ICFR, Management identified material weaknesses that existed as of October 31, 2024. These consisted of material weaknesses in the Company’s control environment, information and communication processes, control activities, period-end financial reporting, non-routine, unusual or complex transactions, transaction-level control activities, and information technology general controls. These material weaknesses remain unremedied at October 31, 2024 and pertain to three main areas: (i) Control environment, and (ii) Information Technology General Controls.

Control Environment

The Company did not design or implement adequate oversight processes and structures, or an organizational design to support the achievement of the Company’s objectives in relation to internal controls. The Company identified multiple deficiencies in internal controls, primarily due to the control environment not being mature enough to support the growth and increasing complexity of the business. As a result, pervasive issues exist within the control environment that impact the ability of the Company to maintain effective ICFR. In addition, accountability for adherence to policies and processes across the organization was not consistently enforced; and as such, there is increased likelihood of misstatements occurring. This material weakness contributed to the following further material weaknesses:

- Risk Assessment procedures did not fully identify risks of misstatement that could, individually or in combination with others, increase the vulnerability of the Company to material misstatements to the financial statements, whether intentional or unintentional.

- Monitoring activities did not operate effectively to identify control gaps and control deficiencies in significant processes in a timely manner. In addition, monitoring activities did not operate to identify new risks related to changes in the business, and as such, these risks were not assessed or responded to in the internal control environment.

- Information and communication processes did not effectively operate to ensure that appropriate and accurate information was available to financial reporting personnel on a timely basis to fulfill their roles and responsibilities. Significant changes at the employee level and within senior management have also impacted information and communication, as well as the overall control environment.

These entity level control deficiencies did not result in a misstatement to the financial statements.

Information Technology General Controls

The Company did not design and maintain effective controls over some information technology ("IT") general controls for information systems that are relevant to the preparation of its financial statements, specifically, with respect to:

- Controls related to tracking, costing and reconciling inventory. These controls were not operating effectively at year end.

- Data validation controls, to ensure underlying data and information being used for the purposes of financial reporting is complete and accurate

The IT deficiencies did not result in a misstatement to the financial statements.

Status of Remediation Plan

Management has begun revising internal control over financial reporting. Management is committed to implementing changes to our internal control over financial reporting to ensure that the control deficiencies that contributed to the material weaknesses are remediated. The following remedial activities are in progress:

- We are continuing to implement additional ongoing oversight, training and communication programs for Management and personnel to reinforce the Company's standard of conduct, enhance understanding of assessed risks, and clarify individual responsibility for control activities at various levels within the Company.

- As of the date of this MD&A, Management has restructured the organizational chart to more clearly define roles and responsibilities as needed to meet the needs of the internal control environment.

- We continue to be in the design and development of controls related to our ERP and IT ecosystem, along with implementing additional user training and process documentation.

While we believe these actions will contribute to the remediation of material weaknesses, we have not completed all the corrective processes, procedures and related evaluation or remediation that we believe are necessary. As we continue to evaluate and work to remediate the material weaknesses, we may need to take additional measures to address the control deficiencies. Until the remediation steps set forth above, including the efforts to implement any additional control activities identified through our remediation processes, are fully implemented and concluded to be operating effectively, the material weaknesses described above will not be considered fully remediated.

Changes in Internal Control Over Financial Reporting

Other than disclosed above, there have been no changes in the Company's internal control over financial reporting during the Company's quarter ended October 31, 2024, that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

Additional Information

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