ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

Berkowitz Pollack Brant Advisors +CPAs

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Jones Soda Co.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Jones Soda Co. and its subsidiaries (the "Company") as of December 31, 2024 and 2023 and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Promotional Allowances:

As described in Note 1 to the consolidated financial statements, the Company's revenue is recorded net of promotional allowances. The recognition of these promotional allowances requires the Company to make estimates regarding the volume of sales, cost of the promotional allowances, and amount of the promotional allowances that are expected to be redeemed. These estimates are made using various information including historical and forecasted data. Significant judgment is exercised by the Company in determining the promotional allowances accrual and includes the following:

- Determination of the completeness of the various promotional allowances with customers and the forecasted sales volume for the period.

- Assessing the estimate of promotional allowances that are expected to be redeemed subsequent to period end.

The primary procedures we performed to address this critical audit matter included the following:

- We selected a sample of promotional allowance claims and performed the following procedures:

    - Obtained and tested the source documents for each selection, including promotional campaign and other documents that were part of the agreement to identify significant terms.

    - Traced a sample of promotional allowance claims to a listing of promotional campaigns during the period for completeness. Assessed the terms in the promotional campaign and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of promotional allowance conclusions.

- We analyzed the customer base and historical promotional allowances offered to customers.

- We evaluated the reasonableness and accuracy of management's judgements and estimates used in accounting for promotional allowances. This included testing management's estimate of calculating expected claims based on historical data, comparing the estimate to revenue in the current period, comparing current promotional offer redemptions to historical estimates, and comparing actual promotional allowances applied subsequent to December 31, 2024 to the promotional allowance accrual as of December 31, 2024.

/s/ Berkowitz Pollack Brant Advisors + CPAs

We have served as the Company's auditor since 2023.

New York, New York

March 31, 2025

JONES SODA CO.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,533	$ 3,867
Accounts receivable, net of allowance of $77 and $260, respectively	2,162	2,118
Inventories, net	3,538	2,392
Prefunded insurance premiums from financing	199	357
Prepaid expenses and other current assets	948	861
Total current assets	**8,380**	**9,595**
Other assets	35	174
Fixed assets, net of accumulated depreciation of $422 and $366, respectively	108	137
Total assets	**$ 8,523**	**$ 9,906**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,404	$ 716
Accrued expenses	2,473	1,283
Revolving credit facility	291	-
Insurance premium financing	199	357
Total current liabilities	**6,367**	**2,356**
Total liabilities	**6,367**	**2,356**
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock, no par value:		
Authorized — 800,000,000 issued and outstanding shares — 115,865,227 shares and 101,258,135 shares, respectively	94,883	90,273
Accumulated other comprehensive income	222	331
Accumulated deficit	(92,949)	(83,054)
Total shareholders' equity	**2,156**	**7,550**
Total liabilities and shareholders' equity	**$ 8,523**	**$ 9,906**

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year ended December 31, 2024	Year ended December 31, 2023
Net Revenue	$ **19,155**	$ **16,669**
Cost of goods sold	(15,079)	(11,814)
Gross profit	**4,076**	**4,855**
Operating expenses:		
Selling and marketing	6,108	4,378
General and administrative	7,866	5,355
Total operating expenses	**13,974**	**9,733**
Loss from operations	**(9,898)**	**(4,878)**
Other income (expenses):		
Interest income	22	52
Interest expense	(11)	-
Other income (expense), net	17	5
Total other income (expense)	**28**	**57**
Loss before income taxes	**(9,870)**	**(4,821)**
Income tax provision	(25)	(33)
Net loss	$ **(9,895)**	$ **(4,854)**
Net loss per share - basic and diluted	$ **(0.09)**	$ **(0.05)**
Weighted average common shares outstanding - basic and diluted	**107,481,563**	**100,922,834**

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, except per share data)

	Year ended December 31,	
	2024	2023
Net loss	**$ (9,895)**	**$ (4,854)**
Other comprehensive (loss) income		
Foreign currency translation adjustment	(109)	44
Total comprehensive loss	**$ (10,004)**	**$ (4,810)**

See accompanying notes to consolidated financial statements

JONES SODA CO.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2024 and 2023 (In thousands, except share data)

	Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Number	Amount			
Balance as of December 31, 2022	**100,263,135**	**$ 89,680**	**$ $287**	**$ (78,200)**	**$ 11,767**
Stock-based compensation	1,275,000	694	-	-	694
Shares withheld for taxes upon RSU vesting	(480,000)	(110)	-	-	(110)
Exercise of Pinestar Warrants	200,000	9	-	-	9
Net loss	-	-	-	(4,854)	(4,854)
Other comprehensive gain	-	-	44	-	44
Balance as of December 31, 2023	**101,258,135**	**90,273**	**331**	**(83,054)**	**7,550**
Stock-based compensation	3,397,959	1,078	-	-	1,078
Shares withheld for taxes upon RSU vesting	(909,493)	(150)	-	-	(150)
Exercise of Pinestar Warrants	974,808	44	-	-	44
Private Placement Offering, net of issuance costs	11,010,000	3,601	-	-	3,601
Exercise of Stock Options	136,250	37	-	-	37
Net loss	-	-	-	(9,895)	(9,895)
Other comprehensive loss	-	-	(109)	-	(109)
Balance as of December 31, 2024	**115,867,659**	**$ 94,883**	**$ 222**	**$ (92,949)**	**$ 2,156**

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share data)

	Year ended December 31, 2024	Year ended December 31, 2023
OPERATING ACTIVITIES:		
Net loss	**$ (9,895)**	**$ (4,854)**
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	56	63
Stock-based compensation	1,078	694
Change in allowance for credit losses	(183)	150
Write-off of obsolete inventory	1,223	-
Changes in operating assets and liabilities:		
Accounts receivable	103	906
Inventories	(2,391)	237
Prefunded insurance premiums from financing	158	255
Prepaid expenses and other current assets	(89)	(261)
Other assets	139	(174)
Accounts payable	2,693	(354)
Accrued expenses	1,213	(470)
Taxes payable	-	(11)
Net cash used in operating activities	**(5,895)**	**(3,819)**
INVESTING ACTIVITIES:		
Purchase of fixed assets	(27)	(73)
Net cash used in investing activities	**(27)**	**(73)**
FINANCING ACTIVITIES:		
Net cash from revolving credit facility	291	-
Proceeds from the exercise of Pinestar Warrants	44	9
Repayments on insurance financing	(158)	(255)
Proceeds from the exercise of stock options	37	-
Net Proceeds from Private Placement Offering	3,601	-
Payment of taxes on RSU withholding	(150)	-
Net cash provided by (used in) financing activities	**3,665**	**(246)**
Net change in cash and cash equivalents	**(2,257)**	**(4,138)**
Effect of exchange rate changes on cash	(77)	34
Cash and cash equivalents, beginning of year	**3,867**	**7,971**
Cash and cash equivalents, end of year	**$ 1,533**	**$ 3,867**
Supplemental disclosure:		
Cash paid during the year for:		
Interest	$ 11	$ -
Income taxes	$ -	$ 35

See accompanying notes to consolidated financial statements.

JONES SODA CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Jones Soda Co. develop, produce, market and distribute premium beverages that we sell and distribute primarily in the United States and Canada through our network of independent distributors and directly to our national and regional retail accounts. We also sell products in select international markets. Our products are sold in grocery stores, convenience and gas stores, on fountain in restaurants, “up and down the street” in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through our national accounts with several large retailers. We refer to our network of independent distributors as our direct store delivery (“DSD”) channel, and we refer to our national and regional accounts who receive shipments directly from us as our direct to retail (“DTR”) channel. We do not directly manufacture our products, but instead outsource the manufacturing process to third-party contract manufacturers. We also sell various products online, including soda with customized labels, wearables, candy and other items, and we license our trademarks for use on products sold by other manufacturers. In addition, during 2022, we developed and began to license THC infused cannabis products under the “Mary Jones” brand name in various U.S. states that permitted the sale of THC infused products. We also have a royalty-free license in perpetuity to intellectual property related to Mary Jones for us to license Mary Jones products for use only in Canada.

We are a Washington corporation and have the following subsidiaries: Jones Soda Co. (USA) Inc., Jones Soda (Canada) Inc Mary Jones Holdings Inc., Mary Jones California, LLC, Mary Jones Michigan LLC, Pinestar Gold Inc. Mary Jones Washington LLC, Mary Jones Beverage LLC, Mary Jones Beverage (Michigan,) LLC Mary Jones Beverage (Canada) Inc. and Mary Jones Holdco 2, Inc. (collectively, the Subsidiaries).

Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the Securities and Exchange Commission (SEC) rules and regulations applicable to financial reporting. The consolidated financial statements include our accounts and accounts of our wholly owned subsidiaries. All intercompany transactions between us and our subsidiaries have been eliminated in consolidation.

Liquidity

As of December 31, 2024 and 2023, we had cash and cash-equivalents of approximately $1.5 million and $3.9 million, respectively, and working capital of approximately $2.0 million and $7.2 million, respectively. Net cash used in operations during fiscal years 2024 and 2023 totaled approximately $5.9 million and $3.8 million, respectively. The $2.3 million increase in cash used in operations in fiscal 2024, was driven by an increase in net loss after adjusting for non-cash items of $3.7 compared to the prior year which was offset by an increase in cash generated from non cash working capital of $1.7 million compared to the prior year. We incurred a net loss of approximately $9.9 million for the year ended December 31, 2024 compared to a net loss of approximately $4.9 million for the year ended December 31, 2023. Our accumulated deficit increased to $92.9 million as of December 31, 2024 compared to an accumulated deficit of $83.1 million as of December 31, 2023.

For the year ended December 31, 2024, net cash inflow from financing activities totaled approximately $3.7 million, compared to a net cash outflow of $0.2 million during the year ended December 31, 2023. During 2024, the Company completed a private placement offering, resulting in net cash proceeds of $3.6 million (Note 7), net proceeds from the revolving credit facility of $0.3 million and $0.1 million proceeds received from the exercise of warrants and options. This was offset by repayment on the insurance financing agreement amounting to $0.2 million and withholding taxes related to the RSUs of $0.2 million. The cash outflow in 2023 was primarily due to repayments on our insurance financing agreement, partially offset by proceeds received from the exercise of outstanding warrants.

We have experienced recurring losses from operations and negative cash flows from operating activities. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. To address this issue, the Company recently changed its senior leadership and is focusing on reducing its operating expenses while bring products to market with higher margins and potentially higher customer demand. Additionally, on February 5, 2025, the Company, through a wholly-owned subsidiary (the “Subsidiary”), entered into loan agreement (the “Loan Agreement”) with Two Shores Capital Corp, pursuant to which the Subsidiary may borrow a maximum aggregate amount of up to $5,000,000, subject to satisfaction of certain conditions. All advances drawn under the Loan Agreement will bear interest at a rate of 13.75% per annum and all present and future obligations of the Subsidiary arising under the Loan Agreement are secured by a first priority security interest in all of the assets of the Company, the Subsidiary and the Company’s other United States subsidiaries. The Loan Agreement replaces the $2 million revolving credit facility entered into by the Company in March 2024 (the “2024 Credit Facility”). The borrowing base under the Loan Agreement expands the assets that can be financed against from only accounts receivable under the 2024 Credit Facility to accounts receivable, inventory and customer purchase orders.

Based on management’s current operating plan, the Company believes its cash on hand, projected cash generated from product sales and funds received from under the Loan Agreement are sufficient to fund the Company’s operations for a period of at least 12 months subsequent to the issuance of the accompanying Consolidated Financial Statements. There is no assurance that management’s current operating plan will be successful.

Use of estimates

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, inventory valuation, depreciable lives and valuation of capital assets, accounts receivable credit loss reserve, trade promotion liabilities, stock-based compensation expense, valuation allowance for deferred income tax assets, contingencies, and forecasts supporting the going concern assumption and related disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

We consider all highly liquid short-term investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents.

Fair value measurements

Applicable accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure our assets and liabilities using inputs from the following three levels of the fair value hierarchy: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date, Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by market data by correlation or other means, and Level 3 includes unobservable inputs that reflect assumptions about what factors market participants would use in pricing the asset or liability and are developed based on the best information available, including our own data.

The carrying amounts for cash and cash equivalents, receivables, and payables approximate fair value due to the short-term maturity of these instruments.

Accounts receivable

Our accounts receivable balance primarily includes balances from trade sales to distributors and retail customers. The allowance for credit losses is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance for credit losses based primarily on current trends and estimates. The Company reserves a percentage of trade receivable balance based on collection history and current economic trends that the Company expects will impact the level of credit losses over the life of the receivables. These reserves are re-evaluated on a regular basis and adjusted as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve. Allowances for credit losses of approximately $0.1 million and $0.3 million as of December 31, 2024 and 2023, respectively, are netted against accounts receivable. Changes in accounts receivable are primarily due to the timing and magnitude of orders of products, the timing of when control of products is transferred to distributors and the timing of cash collections.

Activity in the allowance for credit losses consists of the following for the years ended December 31 (in thousands):

	2024	2023
Beginning of year	$ 260	$ 110
Net charges to credit loss	133	259
Write-offs	(316)	(109)
End of year	**$ 77**	**$ 260**

As of December 31, 2024, one customer accounted for approximately 10.2% of our accounts receivable, whereas as of December 31, 2023, no individual customer represented a material concentration of our accounts receivable.

Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value and include adjustments for estimated obsolete or excess inventory. Cost is based on actual cost on a first-in first-out basis. Raw materials that will be used in production in the next twelve months are recorded in inventory. The provisions for obsolete or excess inventory are based on estimated forecasted usage of inventories. A significant change in demand for certain products as compared to forecasted amounts may result in recording additional provisions for obsolete inventory. Provisions for obsolete or excess inventory are recorded as cost of goods sold and totaled $1.2 million and $0.1 million for the years ended December 31, 2024 and 2023, respectively.

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and are depreciated on the declining balance basis over the estimated useful lives of the assets as follows:

Asset	Rate
Equipment	20% to 30%
Vehicles and office and computer equipment	30%

Impairment of long-lived assets

Long-lived assets, which include fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Long-lived assets are grouped at the lowest level for which there are identifiable cash flows when evaluating for impairment. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

For the years ended December 31, 2024, and 2023, the Company recorded no impairment loss related to these assets.

Foreign currency translation

The functional currency of our Canadian subsidiary is the Canadian dollar. We translate assets and liabilities related to these operations to U.S. dollars at the exchange rate in effect at the date of the consolidated balance sheet; we convert revenues and expenses into U.S. dollars using the average monthly exchange rates. Translation gains and losses are reported as a separate component of accumulated other comprehensive income. Transaction gains and losses arising from the transactions denominated in a currency other than the functional currency are included in other expense, net in the accompanying consolidated statements of operations.

Revenue recognition

The Company recognizes revenue under Accounting Standards Codification ("ASC") (Topic 606): Revenue from Contracts with Customers, ("ASC 606"). The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the company satisfies a performance obligation

See Note 11, Segment information, for information on revenue disaggregated by geographic area.

Because the Company's agreements have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations.

Our contracts have a single performance obligation which is satisfied at the point in time when the customer has title and the significant risks and rewards of ownership of the product. Title and the significant risk and rewards of ownership are deemed to transfer when products are loaded onto a truck for shipment or Free on Board ("FOB") shipping point. The Company primarily receives fixed consideration for sales of product, subject to adjustment as described below. Shipping and handling amounts paid by customers are primarily for online orders, and are included in revenue, and totaled approximately $114,000 and $147,000 for the years ended December 31, 2024 and 2023, respectively. Sales tax and other similar taxes are excluded from revenue.

Revenue is recorded net of provisions for discounts, slotting fees payable by us to retailers to stock our products and promotion allowances. Discounts, slotting fees and promotional allowances vary the consideration the Company is entitled to in exchange for the sale of products to distributors. The Company estimates these discounts, slotting fees and promotional allowances in the same period that the revenue is recognized for product sales to customers. These estimates are based on contract terms and our historical experience with similar programs and require management judgement with respect to estimating customer participation and performance levels. Differences between estimated expense and actual costs are normally insignificant and are recognized in earnings in the period such differences are

determined. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. The liability for promotional allowances is included in accrued expenses on the consolidated balance sheets. Amounts paid for slotting fees are recorded as prepaid expenses on the consolidated balance sheets and amortized over the corresponding term. For the years ended December 31, 2024 and 2023, our revenue was reduced by approximately $4.1 million and $1.6 million, respectively, for slotting fees and promotion allowances.

All sales to distributors and customers are generally final. In limited instances we may accept returned product due to quality issues or distributor terminations, and in such situations we would have variable consideration. The Company's customers generally pay within 30 days from the receipt of a valid invoice. The Company offers prompt pay discounts of up to 2% to certain customers typically for payments made within 15 days. Prompt pay discounts are recorded as a deduction to revenues in the accompanying consolidated statements of operations. As of December 31, 2024 and 2023, prompt pay discounts to these certain customers were considered immaterial to the related accounts receivable balances presented on the accompanying consolidated balance sheets.

Advertising costs

Advertising costs, including promotions and sponsorships, are expensed as incurred. For the years ended December 31, 2024, and 2023, we incurred advertising costs of $1.6 million and $1.2 million, respectively.

Stock-Based Compensation Expense

The Company recognizes stock-based compensation expense within the operating expenses in the Consolidated Statements of Operations related to the fair value of employee stock-based awards ratably over the vesting period and only for awards expected to vest. Estimated forfeiture rates are based on historical data and are periodically reassessed.

Compensation cost is based on the grant-date fair value. The fair value of RSUs is determined based on the number of units granted and the grant date price of common stock.

Income taxes

We account for income taxes by recognizing the amount of taxes payable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We perform periodic evaluations of recorded tax assets and liabilities and maintain a valuation allowance, if considered necessary based on whether they are more likely than not to be realized. The determination of taxes payable for the current year includes estimates. We believe that we have appropriate support for the income tax positions taken, and to be taken, on our tax returns and that our accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. No reserves for an uncertain income tax position have been recorded for the years ended December 31, 2024 or 2023.

The Company recognizes accrued interest and penalties related to uncertain tax positions, if any, as income tax expense. The Company's tax returns for the years ended December 31, 2021 through 2024 remain subject to examination by their major tax jurisdictions.

Net loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed by adjusting the weighted average number of common shares by the effective net exercise or conversion of all dilutive securities. Due to the net loss in 2024 and 2023, outstanding stock options amounting to 8,647,984 and 11,407,772, respectively, and outstanding warrants of 5,945,400 and 27,521,945, respectively, were anti-dilutive.

Comprehensive loss

Comprehensive loss is comprised of net loss and translation adjustments. We do not provide income taxes on currency translation adjustments, as the historical earnings from our Canadian subsidiary is considered to be indefinitely reinvested.

Seasonality

Our sales are seasonal and we experience fluctuations in quarterly results as a result of many factors. We historically have generated a greater percentage of our revenues during the warm weather months of April through September. Sales may fluctuate materially on a quarter to quarter basis or an annual basis when we launch a new product or fill the "pipeline" of a new distribution partner or a large retail partner. Sales results may also fluctuate based on the number of SKUs selected or removed by our distributors and retail partners through the normal course of serving consumers in the dynamic, trend-oriented beverage industry. As a result, management believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the fiscal year.

Recent accounting guidance

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for our annual periods beginning after December 15, 2023 and interim periods beginning in the first quarter of fiscal 2025. Early adoption is permitted.

Recent Accounting Guidance Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09: Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This guidance requires entities to provide more detailed disclosures about income tax expenses (or benefits), including components of the expense (or benefit) and the nature of significant reconciling items. Entities must also disclose information about unrecognized tax benefits, including a tabular reconciliation of beginning and ending balances of unrecognized tax benefits, and details about valuation allowances, including the nature and amount of valuation allowances recorded and released during the period. The guidance is effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of the updated standard on our consolidated financial statements and disclosures.

In March 2024, the FASB issued ASU 2024-01: Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards. This update provides guidance on the scope application of profits interest and similar awards under Topic 718. The amendments improve clarity and understanding of paragraph 718-10-15-3, aiding entities in determining whether a profits interest award should be accounted for as a share-based payment arrangement or similar to a cash bonus or profit-sharing arrangement. For public business entities, the amendments are effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of the updated standard on our consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03: Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). This update requires entities to disaggregate income statement expenses. The guidance is effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of the updated standard on our consolidated financial statements and disclosures.

In December 2024, the FASB issued Accounting Standards Update (ASU) 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. This update provides guidance on accounting for induced conversions of convertible debt instruments, clarifying the criteria for determining whether settlements should be accounted for as an induced conversion. The amendments specify that an inducement offer must provide the debt holder with consideration meeting or exceeding the conversion privileges outlined in the instrument's original terms. Additionally, the update addresses convertible debt instruments that are not currently convertible but included substantive conversion features at issuance and at the time of the inducement. The guidance is effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted for entities that have adopted ASU 2020-06. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements and disclosures.

2. Inventory

Inventory consisted of the following as of December 31 (in thousands):

	2024	2023
Finished goods	$ 2,198	$ 1,380
Raw materials	1,340	1,012
	$ 3,538	**$ 2,392**

Finished goods primarily include product ready for shipment, as well as promotional merchandise held for sale. Raw materials primarily include ingredients, concentrate and packaging.

3. Fixed Assets, net

Fixed assets, net consisted of the following as of December 31 (in thousands):

	2024	2023
Vehicles	$ 65	$ 65
Equipment	203	203
Office and computer equipment	262	235
	530	**503**
Accumulated depreciation	(422)	(366)
	$ 108	**$ 137**

Depreciation expense was $56,000 and $63,000, for the years ended December 31, 2024 and 2023, respectively. Depreciation expense is primarily associated with the Company's equipment and vehicles. The Company did not record any gains or losses from the disposals of fixed assets during 2024 and 2023.

4. Accrued Expenses

Accrued expenses consisted of the following as of December 31 (in thousands):

	2024	2023
Employee benefits	$ 220	$ 317
Goods and services tax	155	-
Legal settlement	135	-
Sales and marketing	1,309	302
Other accruals	654	664
	$ 2,473	**$ 1,283**

5. Revolving Credit Facility

The Company entered into a Revolving Financing and Assignment Agreement (the "RFAA") which provides a revolving credit facility up to an amount of $2,000,000 (the "Total Credit Facility") with an interest rate equal to the prime rate plus 3.50% per annum, with a floor rate of 6.00%. This facility is intended to meet the working capital needs and general corporate purposes of the Company.

Under the RFAA, the Company may draw up to 80% of the face amount of eligible accounts receivable. The Company is required to pay a commitment fee of 1.00% of the Total Credit Facility annually, and a collateral management fee of 0.15% is assessed monthly on the Total Credit Facility.

The RFAA will expire under the following conditions: (a) 36 months from the initial funding date, or (b) 30 days following the execution of legal documents if the initial funding has not occurred, or (c) May 31, 2024, if neither condition (a) nor (b) applies. The agreement will automatically renew for additional 36-month periods unless terminated by either party with a minimum of 60 days' prior written notice.

The RFAA includes financial covenant requiring the Company to maintain net assets, excluding intangible assets and amounts outstanding under the RFAA, in excess of $3.5 million. As of December 31, 2024, the Company was not in compliance with this financial covenant.

The revolving credit facility is secured by a continuing security interest in the Company's personal property and fixtures, including accounts receivable, inventory, equipment, and intellectual property.

On February 24, 2025, the Company made a payment of $0.1 million to fully repay the Total Credit Facility and formally terminated the RFAA. Following this payment, the Company was released from any further liabilities under the terms of the RFAA.

As of December 31, 2024, the balance of the RFAA was $0.3 million (December 31, 2023 – $nil).

6. Membership Agreement Obligation

On September 1, 2022 we entered into a membership/licensing agreement with Saltbox Inc. This agreement gives us right to our portion of a shared office ("Suite") and warehouse facility in Seattle, WA. The structure of the agreement is a revocable license to access the suite and warehouse. The relationship between Saltbox Inc. and Jones Soda is that of a licensor and licensee only, and not a landlord-tenant or lessor-lessee relationship. The agreement does not give right, title, interest, easement, or lien in or to Saltbox Inc's business, the Suite, the Premises, or anything contained therein, nor will the Agreement be interpreted or construed as a lease. Thus, we will not be recording a lease liability or right-of-use asset associated with this agreement. The term of the agreement is for 1 year with an option to renew and 12 monthly payments of $8,000 payable each month. Upon renewal, the Company elected to enter into a month-to-month arrangement with Saltbox. Under this arrangement, the Company pays $9,000 per month. The Company provided notice on February 28th, 2025 that it will exit the month to month agreement as it found lower cost facilities.

7. Shareholders' Equity

The Company issued 7,535,000 units ("Units") on July 26, 2024, 1,600,000 Units on July 31, 2024, and 1,875,000 Units on August 21, 2024, for total net proceeds of $3.6 million. Each Unit is composed of: (i) one common share in the capital of the Company (each, a "Common Share"); and (ii) one-half of one detachable share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant is exercisable into one Common Share (each, a "Warrant Share") at a price of $0.50 per Warrant Share for a period of 24 months from the date of issuance. The Company has the right to accelerate the expiry date of the Warrants to the date that is 30 days following delivery of a notice of acceleration to holders of Warrants if, at any time, the closing price of the Common Shares exceeds $0.80 for five consecutive trading days. The Warrants were classified as equity, and the Company recorded their fair value of $1 million as part of common shares.

In connection with the offering, the Company paid Dominari Securities LLC ("Dominari") an aggregate of $166,158 in cash commission, representing 4.0% of the aggregate gross proceeds raised in the offering, and issued Dominari an aggregate of 440,400 warrants as compensation for Dominari's services (the "Broker's Warrants"). For accounting purposes, the Company estimated the fair value of the Broker's Warrants at the grant date to be $0.1 million, utilizing the Black-Scholes option pricing model. The assumptions used in the model included a risk-free interest rate of 3.81%, an expected life of 2 years, an expected volatility of 76%, and an expected dividend yield of 0%. The amount was recognized as share issuance costs.

On May 16, 2022, our shareholders approved the adoption of the Jones Soda Co. 2022 Omnibus Equity Incentive Plan (the "2022 Plan"), which replaced the 2011 Plan (defined below) and provides for the granting incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to participants to acquire shares of Company common stock under the 2022 Plan. Under the terms of the 2022 Plan, the sum of (i) 10,000,000 shares of the Company's common stock, plus (ii) the number of shares of common stock reserved, but unissued under the 2011 Plan, plus (iii) the number of shares of common stock underlying forfeited awards under the 2011 Plan are initially available for issuance as awards under the 2022 Plan.

1,936,074 shares of common stock reserved under the terms of our 2011 Incentive Plan (the "2011 Plan") but unissued were transferred to the reserve for the 2022 Plan. Thus, the total number of shares of common stock authorized under the Plan was 11,936,074 shares.

Under the terms of the 2022 Plan, the Board may grant awards to employees, officers, directors, consultants, agents, advisors and independent contractors. Stock options are granted with an exercise price equal to the closing price of our stock on the date of grant, and generally have a ten-year term. As of December 31, 2024, there were 2,938,539 shares of unissued common stock authorized and available for future awards under the Plan.

a. Stock options:

A summary of our stock option activity for the years ended December 31, 2024 and 2023 is as follows:

	Outstanding Options					
	2024			2023		
	Number of Shares		Weighted Average Exercise Price (Per Share)	Number of Shares		Weighted Average Exercise Price (Per Share)
Opening	11,407,772	$	0.26	3,369,332	$	0.41
Granted	1,200,000		0.25	9,659,900		0.23
Exercised	(136,250)		0.27	-		-
Forfeited / Expired	(3,823,538)		0.25	(1,620,560)		0.41
Closing	**8,647,984**	**$**	**0.26**	**11,407,772**	**$**	**0.26**
Exercisable	**5,963,812**	**$**	**0.27**	**3,599,020**	**$**	**0.32**

The following table summarizes information about stock options outstanding and exercisable under our stock incentive plans at December 31, 2024:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price Per Share
$ 0.15 to $0.50	8,447,660	7.93	$ 0.25	5,768,176	7.64	$ 0.26
$ 0.51 to $1.09	200,324	6.70	0.64	195,636	6.69	0.64
	8,647,984	**7.90**	**$ 0.26**	**5,963,812**	**7.61**	**$ 0.27**

b. Restricted stock awards:

Beginning on May 13, 2022, the Company's Board of Directors (the "Board") determined that it was in the best interests of the Company to periodically award restricted stock units as equity compensation for non-employee directors upon the recommendation of the Compensation and Governance Committee of the Board in lieu of stock options. Each restricted stock unit granted vests incrementally over the period in the specific award agreement, and certain restricted stock awards will immediately vest upon the occurrence of a "Change in Control" as defined in the 2022 Plan. For the period from January 1, 2020 through February 15, 2022, equity compensation for non-employee director service consisted of the grant of an annual non-qualified stock option award that vested on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award being determined by dividing $25,000 by the closing share price (as quoted on the OTCQB marketplace) on the date of grant (which was the first trading day in January in each calendar year), and such stock option award had an exercise price equal to our closing share price (as quoted on the OTCQB marketplace) on the date of grant. Prior to February 15, 2022, when joining the Board, each non-employee director was previously granted a non-qualified stock option award that vested on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award being determined by dividing $25,000 by our closing stock price on the first trading day following the date on which such director is appointed, prorated based on the date on which such director is appointed, and which stock option shall be granted as of the first trading day following the date on which such director was appointed, and had an exercise price equal to our closing share price (as quoted on the OTCQB marketplace) on the date of grant. The stock option and restricted stock unit awards described above are governed by either the 2022 Plan or the 2011 Plan (if granted prior to the adoption of the 2022 Plan) and standard form of stock option grant notice and agreement and standard form of restricted stock unit grant notice and agreement.

On December 30, 2022, the Company entered into rescission agreements (the "Rescission Agreements") with the certain non-employee directors on the Board who were awarded restricted stock units during 2022 as well as the Company's Chief Executive Officer and President who received restricted stock units during 2022 under the terms of his employment agreement with the Company. Under the terms of the Rescission Agreements, each of the Company and the applicable RSU grantee agreed to rescind and cancel for no consideration all currently outstanding restricted stock units previously granted to each such grantee during 2022 as well as all shares of the Company's common stock previously issued to any such grantee as a result of the vesting of any restricted stock units in August 2022.

A summary of our 2024 and 2023 restricted stock units activity is as follows:

	2024					2023			
	Number of Units	Weighted-Average Grant Date Fair Value per share		Weighted-Average Contractual Life (years)	Number of Units	Weighted-Average Grant Date Fair Value per share		Weighted-Average Contractual Life (years)
Opening, Unvested Restricted Stock Units	600,000	$	0.26	9.1	-	$	-	-
Granted	2,797,959		0.14		1,800,000		0.26	
Vested	(3,397,959)		(0.16)		(1,200,000)		(0.26)	
Closing, Unvested Restricted Stock Units	**-**	**$**	**-**	**-**	**600,000**	**$**	**0.26**	**9.1**

c. ***Stock-based compensation expense:***

Stock-based compensation expense is recognized using the straight-line attribution method over the employees' requisite service period. We recognize compensation expense for only the portion of stock options or restricted stock expected to vest. Therefore, we apply estimated forfeiture rates that are derived from historical employee termination behavior. If the actual number of forfeitures differs from those estimated by management, additional adjustments to stock-based compensation expense may be required in future periods.

At December 31, 2024, we had unrecognized compensation expense related to stock options and non-vested stock of $467,886 to be recognized over a weighted- average period of 0.61 years.

The following table summarizes the stock-based compensation expense (in thousands):

	2024		2023	
Stock options	$	537	$	485
Common stock award		-		17
Restricted stock		541		192
	$	**1,078**	**$**	**694**
Consolidated Statements of Operations account:				
Selling and marketing	$	-	$	32
General and administrative		1,078		662
	$	**1,078**	**$**	**694**

We employ the following key weighted-average assumptions in determining the fair value of stock options, using the Black-Scholes option pricing model and the simplified method to estimate the expected term of "plain vanilla" options:

	2024	2023
Expected dividend yield	-	-
Expected stock price volatility	85.90% to 89.60%	87.50%
Risk-free interest rate	4.20% to 4.30%	3.90%
Expected term (in years)	5.80 to 6.50	5.80
Weighted-average grant date fair-value	$ 0.17 to 0.20	$ 0.17

During the year ended December 31, 2024 and 2023, no material modifications were made to outstanding stock options.

As of December 31, 2024, and December 31, 2023, the aggregate intrinsic value of stock options outstanding was $7,000 and $nil, respectively. For stock options exercisable, the aggregate intrinsic value as of these dates was also $7,000 and $nil, respectively. The intrinsic value of both outstanding and exercisable stock options is determined as the difference between the quoted market price of the Company's stock at the balance sheet date and the exercise price of the option.

The total intrinsic value of options exercised during the years ended December 31, 2024, and December 31, 2023, was $17,300 and $nil, respectively. During these periods, the number of options exercised totaled 136,250 and nil, respectively. The Company maintains a policy of issuing new shares upon the exercise of stock options.

d. ***W*arrants**

Closing of the Pinestar Gold Inc. - Plan of Arrangement:

On February 15, 2022, Jones issued an aggregate of 20,000,048 Jones Shares in connection with the completion of the Plan of Arrangement whereby the outstanding Pinestar Shares were exchanged for newly issued Jones Shares on a one-for-one basis. The Plan of Arrangement had previously been approved by both Pinestar's shareholders as well as by the Supreme Court of British Columbia after such court held a hearing on the fairness of the terms and conditions of the Plan of Arrangement at which all Pinestar shareholders had the right to appear.

In connection with the Plan of Arrangement, Pinestar completed the Pinestar Subscription Receipt Offering for aggregate net proceeds of $7,152,000, at a price per subscription receipt equal to $0.50. As part of the closing of the Plan of Arrangement, each such subscription receipt automatically converted into one Pinestar Share and one new common share purchase warrant of Pinestar, which were then immediately exchanged for Jones Shares and Jones Special Warrants, respectively, in accordance with a 1:1 exchange ratio.

The issuance of Jones Shares to the holders of Pinestar Shares (including Pinestar Shares received upon the conversion of the subscription receipts issued in the Pinestar Subscription Receipt Offering) in the Plan of Arrangement was exempt from the registration requirements under the United States Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 3(a)(10) of the Securities Act, which exempts from the registration requirements under the Securities Act any securities that are issued in exchange for one or more bona fide outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear, by any court expressly authorized by law to grant such approval.

During the year ended December 31, 2024, Pinestar Warrants in the amount of 974,808 were exercised at the exercise price of $0.06 CAD, for total proceeds of $44,000. As of December 31, 2024, there were no warrants outstanding.

Others:

As discussed above the Company issued 5,505,000 warrants, each priced at $0.50 per Warrant Share, exercisable for a period of 24 months from the issuance date. Additionally, 440,400 Broker's Warrants were issued in relation to private placements completed during the year ended December 31, 2024. As of December 31, 2024, these warrants remained outstanding.

The following table summarizes the Company's outstanding warrants as of December 31, 2024:

Expiry Date	Number Outstanding	Remaining Contractual Life (Years)	Exercise Price Per Share (in dollar)	Number Exercisable
July 26, 2026	3,767,500	1.57	$ 0.50	3,767,500
July 31, 2026	800,000	1.58	0.50	800,000
August 21, 2026	937,500	1.64	0.50	937,500
	5,945,400			**5,945,400**

8. Employee 401(k) Plan

We have a 401(k) plan whereby eligible employees who have completed at least one hour of service per month in three consecutive months of employment may enroll. Employees can elect to contribute up to 100% of their eligible compensation to the 401(k) plan subject to Internal Revenue Service's limitations. As currently established, we are not required to make any contributions to the 401(k) plan. During the years ended December 31, 2024 and 2023 we did accrue and fund our employees' 401(k) accounts in 2024 and 2023 for matching contributions in the amount of $32,000 and $36,000, respectively.

9. Commitments and Contingencies

Commitments

As of December 31, 2024, we continue to have commitments to various suppliers of raw materials. Purchase obligations under these commitments are expected to total $1.6 million in 2025.

Legal proceedings

We are or may be involved from time to time in various claims and legal actions arising in the ordinary course of business, including proceedings involving employee claims, contract disputes, product liability, other general liability claims and government and regulatory actions, as well as trademark, copyright, and related claims and legal actions. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

On March 25, 2024, our indirect wholly owned subsidiary, Mary Jones Michigan LLC ("MJM"), received a Notice of Claims ("Core Claim") for arbitration from Core Manufacturing, LLC ("Core"), who claimed that the Company was in breach of its commitments under the agreement between the Company and Core. Core is seeking, amongst other damages, the enforcement of the break-up fee provision in such agreement, which they calculate to be $7,220,357.

MJM is also seeking from *P3* Capital Partner LLC (*"P3"*), an entity related to Core, the return of a $155,700 deposit previous paid to *P3* in connection with the license and manufacturing agreement between MJM and *P3.* MJM filed for litigation in Michigan federal court asserting claims for fraud, conversion, and breach of contract against *P3* (the "P3 Litigation" and together with the Core Claim, the "Litigation Matters").

In February 2025, a confidential settlement agreement was entered into between all the parties to the Litigation Matters, which has resulted in the settlement and/or dismissal of both Litigation Matters.

10. Income Taxes

The provision for income taxes consisted of the following for the years ended December 31 (in thousands):

	2024	2023
Current		
State	$ 3	$ 13
Foreign	22	20
Provision for income taxes	**$ 25**	**$ 33**

Loss before income taxes was as follows for the years ended December 31 (in thousands):

	2024	2023
United States	$ (9,980)	$ (4,901)
Foreign	110	80
Total	**$ (9,870)**	**$ (4,821)**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	2024	2023
Federal statutory rate	21%	21%
Effect of:		
Permanent differences	(0.14)	(0.13)
Stock Compensation	(2.33)	(1.15)
State income taxes, net of federal benefit	3.71	1.35
Change in valuation allowance	(24.19)	(22.57)
Other, net	1.52	0.83
Provision for income taxes	**(0.43)%**	**(0.67)%**

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred income taxes were as follows (in thousands):

	2024	2023
Federal and state net operating loss carryforwards	$ 18,965	$ 16,872
Stock-based compensation	303	262
Other, net	336	82
Total deferred tax asset	19,604	17,216
Valuation allowance	(19,604)	(17,216)
Net deferred tax asset	**$ -**	**$ -**

We continue to experience significant losses in our U.S. operations that are material to our decision to maintain a full valuation allowance against our net U.S. deferred tax assets. This is due to the fact that the relevant accounting guidance puts more weight on the negative objective evidence of cumulative losses in recent years than the positive subjective evidence of future projections of pretax income. For the years ended December 31, 2024 and December 31, 2023, the valuation allowance increased by $2.4 million, and $1.03 million, respectively.

We continually analyze the realizability of our deferred tax assets, but we reasonably expect to continue to record a full valuation allowance on future U.S tax benefits until we sustain an appropriate level of taxable income through improved U.S. operations and tax planning strategies.

At December 31, 2024, we had net operating loss carryforwards for federal and state income tax purposes of $54.9 million, and $22.6 million respectively, which expire at various times commencing 2025. We also had net operating loss carryforwards for federal and state income tax purposes of $28.1 million, and $2.8 million, respectively, that may be carried forward indefinitely. Net operating loss carryforwards may be subject to certain limitations under Section 382 of the Internal Revenue code.

There are no uncertain tax positions to recognize as of December 31, 2024 and 2023.

We are no longer subject to U.S. Federal examination for tax years ending before 2020, to state examinations before 2019, or to foreign examinations before 2019.

However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses or tax credits were generated and carried forward and make adjustments up to the amount of the net operating losses or credit carryforward. At December 31, 2024, we were not under examination by a tax authority. The net operating losses for prior years are subject to adjustment under examination to the extent they remain unutilized in an open year.

11. Segment Information

The Company's operating and reportable segments consist of the following:

Beverages: This segment includes both Jones Soda's traditional craft sodas, known for their unique flavors, pure cane sugar formulation, and consumer-driven branding as well as our modern soda's such as Pop Jones, Fiesta Jones and hemp derived products such as HD9. The products are distributed through various channels, including retail stores, foodservice outlets, and direct-to-consumer platforms.

Cannabis-Derived (THC) Beverages: This segment features beverages and edibles infused with cannabis-derived THC compounds. These products cater to alternative lifestyle markets and are distributed through regulated channels such as licensed dispensaries. Each State in the US has specific regulations to the sales and distribution of these products. In Canada these products are federally regulated. Our distribution relationships typically involve licensing our THC formulated products to Cannabis companies that hold licenses in a specific state or province.

The Chief Operating Decision Maker ("CODM") of the Company, who is also the Chief Executive Officer ("CEO"), is responsible for evaluating the performance of the Company's operations. The evaluation focuses primarily on key financial metrics such as net operating revenues and operating income (loss). Based on this consolidated approach to assessing performance and allocating resources, the Company does not present additional segment information in its financial disclosures.

Details regarding the Company's operations by reportable segment are presented as follows:

(in thousands)	2024	2023
Segment Results – Net sales		
Beverages	$ 17,793	$ 15,414
Cannabis-Derived (THC) Beverages	1,362	1,255
Total	**$ 19,155**	**$ 16,669**
Segment Results – Income (loss) from operations		
Beverages	$ (9,733)	$ (4,427)
Cannabis-Derived (THC) Beverages	(165)	(451)
Total	**$ (9,898)**	**$ (4,878)**

Furthermore, in accordance with ASC 280, the Company provides the following entity-wide disclosures for the years ended December 31, 2024, and 2023:

Net Sales by Geographic Location: The breakdown of the Company's net sales by geographic location are as follows:

(in thousands)	2024	2023
Segment Results – Net sales		
United States	$ 15,670	$ 13,537
Canada	3,485	3,072
Other countries	-	60
Total	**$ 19,155**	**$ 16,669**

Net sales generated in the United States accounted for 82% and 81% of total revenue in 2024 and 2023, respectively.

Income (Loss) from Operations by Geographic Location: The breakdown of the Company's income (loss) from operations by geographic location is as follows:

(in thousands)	2024	2023
Segment Results – Income (loss) from operations		
United States	$ (10,406)	$ (5,647)
Canada	508	751
Other countries	-	**18**
Total	**$ (9,898)**	**$ (4,878)**

Long-Lived Assets: All of the Company's long-lived assets are located in the United States.

12. Insurance Premium Financing

Effective November 15, 2024, the Company entered into a one year financing agreement with IPFS Corporation to fund a portion of its insurance premiums in the amount of $191,000. Repayments are made quarterly on January 15, 2025, April 15, 2025, and by July 15, 2025, the entirety of the financing is paid off in full. The interest rate is 8.99% and there are no covenants associated with this agreement.

13. Related party Transactions

During the year ended December 31, 2023, 200,000 Pinestar Warrants, as described in Note 7 were exercised by one of our Board members, Paul Norman, at the exercise price of $0.06 CAD, for total proceeds of $9,000.

14. Subsequent Events

Subsequent to December 31, 2024, the Company entered into a $5 million facility (the "Facility") with Two Shore Capital Corp. ("Two Shores"). The funds available under the Facility are expected to be used for working capital purposes, and the Facility itself is secured by all of the assets of the Company and its subsidiaries. Advances drawn under the Facility will bear an interest rate of 13.75% per annum.