

KOIOS BEVERAGE CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE PERIOD ENDED
FEBRUARY 28, 2022 AND 2021**

(Expressed in US Dollars)

KOIOS BEVERAGE CORP.
Management’s Discussion and Analysis
For the six-months ended February 28, 2022, and 2021
Expressed in US Dollars, unless otherwise stated

BACKGROUND

This management’s discussion and analysis of the financial position and results of operations (“**MD&A**”) for Koios Beverage Corp. (the “**Company**” or “**Koios**”) is prepared as at April 29, 2022. The information herein should be read in conjunction with the consolidated financial statements for the six months ended February 28, 2022 and 2021 along with the related notes contained therein, which have been prepared under International Financial Reporting Standards (“**IFRS**”) and incorporated in reference.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in US dollars, the reporting currency of the Company, unless specifically noted.

The reader is encouraged to review the Company’s statutory filings and additional information on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management’s expectations regarding the Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target” or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company’s forward-looking statements. In addition, any forward-looking statements represent the Company’s estimates only as of the date of this MD&A and should not be relied upon as representing the Company’s estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include: (a) execution of the Company’s existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company’s products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company’s forward-looking statements, as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, see “Risk Factors Associated with the Business of the Company”.

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled “Risk Factors Associated with the Business of the Company”.

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COMPANY OVERVIEW

The Company was incorporated on November 13, 2002, under the *Business Corporations Act* (British Columbia). The corporate and registered and records offices of the Company are located at 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company’s common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “FIT” and the United States OTC stock market, under the symbol “FITSF”.

Koios is an emerging functional beverage company which has an available distribution network of retail locations across the United States in which to sell its products. Koios maintains relationships with some of the largest and most reputable distributors in the United States, including Europa Sports, Muscle Foods USA, KeHE, and Wishing-U-Well. Together these distributors represent thousands of brick-and-mortar locations across the United States from sports nutrition stores to large natural grocery chains including Whole Foods and Sunflower Markets. Through its arrangement with Wishing-U-Well, Koios also enjoys a large presence online, including being an Amazon choice product.

OUR PRODUCTS:

Koios uses a proprietary blend of nootropics and natural organic compounds to enhance human productivity without using harmful chemicals or stimulants. Koios products can enhance focus, concentration, mental capacity, memory retention, cognitive function, alertness and brain capacity as well as promote all day mental clarity. Its ingredients are specifically designed to target brain function by increasing blood flow, oxygen levels and neural connections in the brain.

Koios is one of the only drinks in the world to infuse its products with MCT oil. MCT oil is derived from coconuts and has been shown to help the body burn fat more effectively, create lasting energy from a natural food source, produce ketones in the brain, allowing for greater brain function and clarity, support healthy hormone production and improve immunity.

The Company offers three main products, including beverages, coffee, and supplements.

In April 2019, the Company launched “Fit Soda”™ and has released four flavors. Fit Soda™ has zero sugar, natural electrolytes and is infused with branched-chain amino acids.

In May 2020, the Company launched its coffee product offering, which has been infused with Lion’s Mane and Chaga Mushroom and Bone Broth Collagen, in addition to having unique health benefits.

The Company’s website is <http://koiosbeveragecorp.com> which features an interactive investor relations section and new shopping platform.

HIGHLIGHTS

On February 28, 2022, the Company announced its intentions to acquire Retox, a beverage company. This opportunity will allow the company to further expand into the alcohol space with its Fit Soda Hard SKUs, which it announced in 2021.

On March 5, 2020, the Company appointed Josh Luman, an experienced beverage industry executive to its board of directors. Mr. Luman’s experience in the beverage industry includes an executive role in the Molson Coors Beverage Company, in which Mr. Luman was a global brand director.

On March 11, 2020, the Company appointed David Woods, a veteran in the grocery and food industries, to Koios’ advisory board. Mr. Woods began his career at Whole Food and became a senior category merchant in the Salty Snacks & Shelf-Stable Dips and Salsa Category. The Company believes Mr. Woods will be a valuable member of its advisory board.

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On February 18, 2021, the Company, together with Beauty Gourmet LLC, a women’s functional beverage company, created BevCreation, LLC. (“**BevCreation**”). BevCreation operates a commercial-scale beverage canning facility in the Denver, Colorado area. In addition to packaging the Company’s KOIOS™ nootropic beverages and Fit Soda™ functional beverages, the BevCreation canning facility also presently undertakes contract production work for other functional beverage brands. Through BevCreation, the Company will find cost efficiencies and production improvements, compared to its previous method of production.

On October 19, 2021, the Company consolidated all of its issued and outstanding share capital on the basis of 10:1. On the same date, the Company also changed its ticker symbol from “KBEV” to “FIT”.

HIGHLIGHTS – DISTRIBUTION

During fiscal 2020 and 2019, the Company had significant success in building a vast distribution network across the United States. Of significance, the Company secured distribution with Walmart in March 2019. To date, the Company has successfully secured several new distributors, including Blackbeard Beverage Company (“**Blackbeard**”), a distributor for Carolina Canners Inc. (“**Carolina**”), an independent bottler for Pepsi beverages on the east coast of the United States, gas stations across Southwestern United States and in 1,100 Food Lion Supermarkets in the Mid-Atlantic and Southeastern Regions of the United States.

Distributors:

Apart from entering into agreements with Walmart, the Company has secured a diverse network of distributors throughout the United States and have entered into the following distribution agreements:

On May 26, 2020, the Company engaged KeHE Distributors, LLC (“**KeHE**”), a well-established national distributor of fresh, natural, organic and specialty food, and beverage products with a network of more than 35,000 retail outlets across North America. KeHE will distribute the Company’s nootropic beverage line as part of KeHe’s Elevate™ program. The Elevate™ program intends to bring promising early-stage brands to KeHE’s retail partners as a way of enhancing their brand portfolio.

On November 4, 2020, the Company announced that its Fit Soda™ functional beverage is now being carried in approximately one third of grocery retail locations operated by HEB Grocery Company, LP (“**HEB**”), a San Antonio, TX based supermarket chain with more than 300 stores in the state of Texas and northeastern Mexico

On November 5, 2020, the Company announced that its KOIOS™ and Fit Soda™ beverage products (collectively, “**Koios Beverages**”) will be represented in 20 U.S. states by Green Spoon Sales (“**Green Spoon**”), one of the largest natural foods brokers in the United States.

On January 28, 2021, the Company announced that its Koios Beverages are now represented by Chex Finer Foods, Inc. (“**Chex**”), a major natural and specialty foods distributor for the northeastern United States. Chex now carries all five varieties of the Company’s KOIOS™ nootropic beverage as well as all four varieties of Fit Soda™.

On February 10, 2021, the Company announced that it has entered into a distribution agreement with United Natural Foods, Inc. (NYSE: UNFI) (“**UNFI**”), the largest publicly traded wholesale distributor of organic, natural, and specialty food in the United States and Canada. For the past two decades, UNFI has been the largest supplier to the organic and natural supermarket chain Whole Foods, whose business represents approximately one third of UNFI’s revenues.

On February 16, 2021, the Company announced that all five flavours of its nootropic beverage product KOIOS™ are now being carried by Good Earth Natural Foods Inc. (“**Good Earth**”), a chain of natural food markets in Utah. Good Earth offers Utah’s largest selection of sports nutrition products, as well as the state’s largest selection of products in several other categories.

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On February 19, 2021, the Company announced that it has added the Oregon based Market of Choice grocery chain to its growing roster of retailers for Koios products. As part of the Company's continued focus on regional grocers and supermarket chains, this placement in Market of Choice has grown the Company's presence in the state of Oregon by approximately 36%.

On February 23, 2021, the Company announced that it has further expanded its footprint in the state of Louisiana with the upcoming addition of its KOIOS™ nootropic beverage product to the beverage aisles of all locations of Matherne's Market ("Matherne's"), a local supermarket chain based in Baton Rouge, the state's capital.

On February 24, 2021, the Company announced that the full range of five flavours of its KOIOS™ nootropic beverages can now be purchased at all grocery stores operated by Jensen's Foods ("Jensen's"), a long-established family-owned grocery chain operating in the San Diego, Los Angeles, and Palm Springs areas of Southern California.

On March 2, 2021, the Company announced that it has entered into a distribution agreement with NewAge, Inc. ("NewAge") (NASDAQ: NBEV), a major omnichannel wholesaler of beverages and snacks. Based in Denver Colorado, NewAge provides direct store delivery ("DSD") service for beverage brands all across the state of Colorado, primarily in the Front Range region.

On May 11, 2021, the Company was pleased to announce that all four flavours of Fit Soda™ are being carried in more than 1,100 supermarkets operated by Food Lion LLC, a multistate grocery chain based in Salisbury, North Carolina.

On August 12, 2021, the Company entered into a one-year renewable agreement with Blackbeard. Blackbeard placed an order for 216 pallets of Fit Soda™ valued at USD \$575,000, the largest single wholesale order of canned beverages in the Company's history.

On August 24, 2021, the Company announced that pursuant to a one-year renewable agreement which finalized on August 12, 2021, the Company has entered into a partnership with Blackbeard.

HIGHLIGHTS – FINANCING

The company closed a private placement on February 8th, 2022. It closed a non-brokered private placement of 27,443,000 units at a price of CAD \$.10 per unit for gross aggregate proceeds of \$2,744,300. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one transferable common share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional Share at a price of \$0.25 per Warrant for a period of one (1) year from closing. In the event that the Shares have a closing price on the Canadian Securities Exchange (or such other exchange on which the Shares may be traded at such time) of \$0.50 or greater per Share for a period of five (5) consecutive trading days at any time prior to the expiry date of the warrants, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the Warrants) and, in such case, the Warrants will expire on the thirtieth (30th) day after the date of such notice.

Finder's fee of \$139,475 cash has been paid to qualified parties in connection with the Private Placement. The Company intends to use the net proceeds from the Private Placement for marketing, development of its products, investor relations activity, and for general working capital purposes.

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RESULTS OF OPERATIONS

	Three-month period ended		Six-month period ended	
	February 28,		February 28,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product revenue	746,264	99,280	1,208,173	451,890
Cost of sales	(333,435)	(97,653)	(755,671)	(348,433)
Gross Profit	412,829	1,627	452,502	105,804
General and administration expenses				
Corporate development	24,763	91,374	63,491	149,801
Freight and shipping	34,751	41,039	186,276	98,910
Consulting fees	167,677	122,384	443,562	260,509
Amortization	16,692	9,012	48,241	32,830
Filing fees and regulatory fees	4,770	6,697	8,258	15,099
Share of loss (gain) in joint-venture	(22,902)	11,748	(47,348)	11,748
Finance charges	41,949	15,227	273,482	15,227
Office	15,913	32,634	74,234	80,970
Professional fees	89,891	34,487	145,877	130,602
Insurance	18,228	10,551	54,208	26,556
Rent	10,399	(1,939)	29,756	20,437
Share-based compensation	—	4,602	—	333,161
Total general and administration expenses	551,035	377,814	1,280,067	1,175,848
Other items				
Gain on extinguishment of accounts payable	—	—	—	—
Foreign exchange loss	—	(95,697)	—	(184,922)
	—	(95,697)	—	(89,225)
Loss for the period	(138,208)	(471,884)	(827,565)	(1,254,996)

RESULTS OF OPERATIONS (CONTINUED)

For the six-month period ended February 28, 2022

For the period ended February 28, 2022, the Company incurred a loss of \$827,565 (2021 – \$1,254,996). A discussion of the significant variances is discussed below:

- During the six-month period ended February 28, 2022, the Company experienced a slight increase in general and administrative expenditures as the Company resumed in-office administration and increased its staff.
- Corporate development decreased to \$63,491 from \$419,801. In the comparative period, corporate development primarily consisted of brand awareness and a concentrated effort to increase the Company's presence within the industry. The Company has worked to change investor's perspectives as the Company shifted from a mineral and exploration background to a leading nootropic beverage Company. The beverage industry is very competitive and the Company's brand awareness is a very important step in the overall success of the Company. In previous periods, due to a cash preservation strategy, the Company did not incur these expenses as an effort to conserve cash.
- Freight and shipping increased to \$186,276 from \$98,910, as the Company sold more product this period relative to the comparative period.
- Consulting fees increased to \$443,562 from \$260,509, as the Company hired more consultants and incurred fees in connection with executed agreements in the comparative period in 2021. The Company relies on consultants to help achieve its goals on all facets of business and these consultants bring a wide

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range of expertise and connections to the Company. Consultants include management, advisors, technical support and other support roles. The execution of the distribution agreements and product development requires due diligence and planning to ensure the products and agreements meet the Company's standards. In the current period ended February 28, 2022, due to increase sales volumes across its distributor and retail channels, the Company invested more assets into staffing.

- Amortization increased to \$48,241 from \$32,830 as a result of the adoption of IFRS 16 – Leases. As a result of the adoption of IFRS 16, the Company recorded a Right of Use Asset and a corresponding Lease Liability.
- Filing fees and regulatory fees decreased to \$8,258 from \$15,099.
- During the six-months ended February 28, 2022, the Company interest in its joint-venture, BevCreation, provided a profit of \$84,822.
- Finance charges for the six-months ended February 28, 2022, was \$273,482 versus \$15,227 the comparative period as this amount is due to the Lease Liabilities.
- Office expenses decreased to \$74,234 from \$80,970, as the Company consolidated expenses and increased revenue during this period.
- Professional fees increased to \$145,877 from \$130,602 as a result of increased fees related professional fees which include accounting, legal and other professional fees required for its ordinary operations.
- Rent increased to \$29,756 from \$20,437 as a result of staff expansion requiring additional office space.
- Share-based compensation decreased to \$NIL from \$333,161 because the Company did not issue any options or award any share-based compensation during the period.

For the three-months ended February 28, 2022

For the three-months ended February 28, 2022, the Company incurred a loss of \$138,208 (February 28, 2021 – \$471,884). A discussion of the significant variances is discussed below:

- During the three-month period ended February 28, 2022, the Company experienced a slight increase in general and administrative expenditures as the Company resumed in-office administration and increased its staff.
- In response to the impact of the international supply chain crisis, during the three months ended February 28, 2022, the Company experienced an overall increase in cost of sales due to inflationary pressure and labor shortages. Increases in costs of raw materials, gas, labor, storage and aluminum contributed to higher cost of sales.
- Corporate development decreased to \$24,763 from \$91,374. In the comparative period, corporate development primarily consisted of brand awareness and a concentrated effort to increase the Company's presence within the industry. The Company has worked to change investor's perspectives as the Company shifted from a mineral and exploration background to a leading nootropic beverage Company. The beverage industry is very competitive and the Company's brand awareness is a very important step in the overall success of the Company. In the quarter ending February 28, 2022, the Company invested additional assets into building out its team to help support the rapidly growing retail presence it has developed. Additional staff were brought in execute sales strategies and to help grow the company.
- Freight and shipping decreased to \$34,751 from \$41,039 as the Company has enhanced its various supply chains.
- Amortization increased to \$16,692 from \$9,012 as the Company entered into various office and equipment lease agreements.
- Consulting fees increased to \$167,667 from \$122,384 as the Company relies on consultants to help it achieve its goals on all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include management, advisors, technical support and other support roles. The execution of the distribution agreements and product development requires due diligence and planning to ensure the products and agreements meet the Company's standards. In the three months ended February 28, 2022, the Company's overall business activity increased creating additional consulting needs and expenses.

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- Professional fees increased to \$89,891 from \$34,487 as a result of the Company incurring fees related to professional fees which include accounting, legal and other professional fees required for its ordinary operations than prior periods.
- Finance charges for the three-months ended February 28, 2022, was \$41,949 versus \$15,227 in the comparative period as this amount is due to Lease Liabilities.
- Rent increased to \$10,399 from (\$1,939), as a result of staff expansion requiring additional office space.
- Share-based compensation decreased to \$Nil from \$4,602, because the Company did not grant any stock options during the three months ended February 28, 2022 compared to prior period.

Revenue and Cost of Sales Analysis

	Three-month period ended February 28,		Six-month period ended February 28,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product revenue	746,264	99,280	1,208,173	451,890
Cost of sales	(333,435)	(97,653)	(755,671)	(349,433)
Gross Profit	412,829	1,627	452,502	105,804

- The Company's wholly owned subsidiary, Koios Inc. sells a variety of health-conscious product offerings. The Company intends to utilize its distribution channels to facilitate significant revenue growth.
- Cost of sales include all expenditures related to the product such as ingredients and manufacturing costs.
- During the three months ended February 28, 2022, revenues increased from \$99,280 in the comparative period to \$746,264. The Company attributes the increase to retail and distribution growth.
- The Company has seen growth increase within its current retail and distribution networks, and hopes to realize an increase in revenues on a go-forward basis. In addition, the Company is closely monitoring the supply chain crisis and has negotiated with suppliers to secure its raw material needs for the next 12 months.
- Through the Company's joint venture with BevCreation, the Company intends to realize cost efficiencies and an overall reduction in cost of goods sold on a go-forward basis which will eliminate the need for expensive third-party co-packers.
- Fiscal Q3 was a successful quarter with the Company's supply chain, retail sales, and overall demand for its product. This has led to an impressive increase in gross profit.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operation results for the past eight quarters:

	February 28, 2022	November 30, 2021	August 31, 2021	May 31, 2021
	\$	\$	\$	\$
Total assets	3,349,355	935,949	1,220,432	1,557,331
Working capital (deficiency)	994,419	(841,766)	(285,401)	73,127
Shareholders' equity (deficiency)	920,369	(680,850)	(133,794)	203,987
Revenue	746,264	259,588	202,351	189,073
Gross profit	412,829	(213,636)	3,309	(158,942)
Net loss and comprehensive loss	(196,593)	(528,847)	(340,781)	(1,031,058)
Loss per share	(0.009)	(0.06)	(0.04)	(0.10)

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	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020
	\$	\$	\$	\$
Total assets	1,271,027	911,028	1,014,197	1,428,301
Working capital	(319,032)	\$160,984	350,604	533,078
Shareholders’ equity	(172,294)	920,369	382,054	571,784
Revenue	99,280	138,378	214,232	226,496
Gross profit	(97,653)	51,918	52,259	(160,835)
Loss and comprehensive loss	(531,472)	(1,254,996)	(538,889)	(1,026,670)
Loss per share	(0.06)	(0.03)	(0.07)	(0.07)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of demand and distribution needs and the availability of funding. During fiscal 2021, the Company’s net assets increased, as the Company increased operations to further develop its distribution capability. During the second and third quarter of fiscal year 2022, revenues increased due to the Company’s increasing retailers and distribution reach. During the three-month period ended February 28, 2022, the Company increased its revenue which is attributed to the Company’s supply chain, retail sales, and overall demand for its product.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company considers its capital to be the main component of shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company’s approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

Liquidity and capital resources

The Company’s working capital and deficit positions at February 28, 2022 and May 31, 2021 were as follows:

	February 28, 2022	May 31, 2021
	\$	\$
Working capital	994,419	73,127
Deficit	(16,559,449)	(15,730,884)

The balance of cash available at February 28, 2022 was \$2,038,838 (May 31, 2021 - \$1,028,827) with a working capital deficit of \$994,419 (May 31, 2021 - \$73,127). A large portion of liabilities is old and unrelated to the Company’s current business and intends to write this debt off in future periods.

The Company anticipates its working capital will continue to improve over time as products are sold. The Company intends to fund short-term capital requirements via equity financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company, if at all. Any equity offerings will result in dilution to the ownership interests and value of such interests of the Company’s shareholders.

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Liquidity and capital resources – Operating activities

Net cash used in operating activities for the six-months ended February 28, 2022, was \$768,637 (February 28, 2021 - \$1,013,585). The decrease in net cash used in operating activities was primarily caused by the overall decreased loss for the period. The Company continues to build its operations and pursue potential opportunities. The functional beverage industry is competitive and the Company continues to spend funds on marketing and brand awareness to increase the Company’s overall market share within the functional beverage market.

Liquidity and capital resources – Investing activities

Net cash used in investing activities for the six-months ended February 28, 2022 was \$Nil (February 28, 2021 – \$54,807)

Liquidity and capital resources – Financing activities

Net cash from (used) financing activities for the six-months ended February 28, 2022 was \$1,826,185 (February 28, 2021 – \$585,513) and was due mainly to shares issued, various leases and loan payments, and a line of credit.

RELATED PARTY TRANSACTIONS

The Directors and Executive Officers of the Company are as follows:

Chris Miller	Chief Executive Officer (“CEO”), interim Chief Financial Officer (“CFO”) and Director
Josh Luman	Director
Erik LeVang	Director
Sherron Lewis	Director

The Company entered into the following transactions with related parties during the six-months ended February 28, 2022:

	February 28, 2022	February 28, 2021
	\$	\$
Consulting fees paid or accrued to Management	177,500	109,300
Consulting fees paid or accrued to the former CFO	22,338	34,291
Accounting and corporate fees paid or accrued to a company controlled by the former CFO	22,338	44,521
Share based compensation paid to directors and officers	-	129,766

As at February 28, 2022, \$5,000 (May 31, 2021 – \$144,254) is owed to companies owned by directors and officers of the Company. Accounts payable to related parties do not bear interest, are unsecured, and are repayable on demand.

As at February 28, 2022, \$103,962 (May 31, 2021 – \$100,192) is a loan receivable from the CEO of the Company. The loan receivable bears interest of 5% per annum, compounded monthly and matures on May 31, 2022.

On April 8, 2022, the Company issued 3,000,000 common shares in accordance with employee performance bonuses as stipulated within their employment agreements, at a deemed price of \$0.55 per share.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

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FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, loans receivable, convertible debentures, accounts payable, accrued liabilities, and short-term loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, loan receivable and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Goods and Services Tax ("GST") receivable from the Canadian government and receivables from trade customer. The credit risk is considered low. Credit risk related to the loan receivable is monitored by performing ongoing credit checks.

Currency risk

The Company and its subsidiaries do not have significant financial assets and liabilities denominated in foreign currencies, other than the convertible debenture which is denominated in Canadian dollars. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest rate risk

The Company normally invests in short-term interest-bearing financial instruments. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they are currently held in large financial institutions.

Fair value measurements of financial assets and liabilities

The Company believes that the recorded values of receivables, loan receivable, due to related parties, short term loan, and accounts payable and accrued liabilities, approximate their current fair values due to their nature and relatively short maturity dates or durations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing operations, and such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, no source of operating income and no assurance that additional funding will be available to fund its beverage operations., The Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

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OTHER RISKS AND UNCERTAINTIES

The consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the six-months ended February 28, 2022, the Company incurred comprehensive loss of \$827,565 (February 28, 2021 - \$1,254,966), with an accumulated deficit of \$16,559,449 (May 31, 2021 - \$15,730,884) and had working capital deficiency of \$944,419 (May 31, 2021 - work capital of \$73,127). The Company anticipates that further losses will be incurred. The Company's ability to continue as a going concern and meet its corporate objectives will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

In March 2020, the World Health Organization declared the outbreak of Covid-19 a global pandemic. Government measures to limit the spread of Covid-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the first quarter of 2021 even though the beverage industry has not been recognized as an essential service. As at May 2021, the Company has not observed any material impairments of its assets or a significant change in the fair value of assets due to the Covid-19 pandemic.

Due to the rapid developments and uncertainty surrounding Covid-19, it is not possible to predict the impact that Covid-19 will have on business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of Covid-19 and the effect of any such changes could be material, which could result in, among other things, impairment of assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	60,897,942
Stock options	1,263,333
Warrants	50,344,177

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet items.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company's authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known, or currently deemed immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of the operations could be materially adversely affected.

Risk Factors Associated with the Business of the Company

We may need to raise further capital.

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable

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terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures and unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

We rely on third party co-packers to manufacture our products

We rely on third party co-packers to manufacture our products. If we are unable to maintain good relationships with our co-packers and/or their ability to manufacture our products becomes constrained or unavailable to us, our business could suffer. We do not directly manufacture our products, but instead outsource such manufacturing to established third party co-packers. These third-party co-packers may not be able to fulfill our demand as it arises, could begin to charge rates that make using their services cost inefficient or may simply not be able to or willing to provide their services to us on a timely basis or at all. In the event of any disruption or delay, whether caused by a rift in our relationship or the inability of our co-packers to manufacture our products as required, we would need to secure the services of alternative co-packers. We may be unable to procure alternative packing facilities at commercially reasonable rates and/or within a reasonably short time period and any such transition could be costly. In such case, our business, financial condition and results of operations would be adversely affected. Large co-packing minimums have affected our cash flow in the past. We have worked diligently to develop relationships with co-packers in the Denver area that will allow us to produce product on demand.

We rely on distributors to distribute our products in the DSD sales channel

We rely on distributors to distribute our products in the DSD sales channel. If we are unable to secure such distributors and/or we are unable to maintain good relationships with our existing distributors, our business could suffer. We distribute our products in the DSD sales channel by entering into agreements with direct-to-store delivery distributors having established sales, marketing and distribution organizations. We similarly are seeking to expand our online distribution. Many of our distributors are affiliated with, manufacture and/or distribute other beverage products. In many cases, such products compete directly with our products. The marketing efforts of our distributors are important for our success. If our products prove to be less attractive to our distributors and/or if we fail to attract distributors, and/or our distributors do not market and promote our products with greater focus in preference to the products of our competitors, our business, financial condition and results of operations could be adversely affected.

If we are unable to maintain good relationships with our existing customers, our business could suffer

Our customers are material to our success. If we are unable to maintain good relationships with our existing customers, our business could suffer. Unilateral decisions could be taken by our distributors, grocery chains, convenience chains, drug stores, nutrition stores, mass merchants, club warehouses and other customers to discontinue carrying all or any of our products that they are carrying at any time, which could cause our business to suffer. The majority of our revenues are derived from wholesale and online channels. Accordingly, if sales to either of these customers were to significantly decline or cease entirely, our business, results of operations and financial condition may be significantly harmed.

Increases in cost or shortages of raw materials or increases in costs of co-packing could harm our business

The principal raw materials we use are flavorings and ingredient blends, as well as aluminum cans, the prices of which are subject to fluctuations. We are uncertain whether the prices of any of the above or any other raw materials or ingredients we utilize will rise in the future and whether we will be able to pass any of such increases on to our customers. We do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials. In addition, some of these raw materials, such as our distinctive sleek 12 ounce can, are available from a single or a limited number of suppliers. As alternative sources of supply may not be available, any interruption in the supply of such raw materials might materially harm us.

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Our ability to accurately estimate demand for our products could adversely affect our business and financial result

We may not correctly estimate demand for our products. If we materially underestimate demand for our products and are unable to secure sufficient ingredients or raw materials, we might not be able to satisfy demand on a short-term basis, in which case our business, financial condition and results of operations could be adversely affected.

We depend upon our trademarks and proprietary rights, and any failure to protect our intellectual property rights or any claims that we are infringing upon the rights of others may adversely affect our competitive position

Our success depends, in large part, on our ability to protect our current and future brands and products and to defend our intellectual property rights. We cannot be sure that any trademarks will be issued with respect to future trademark applications or that our competitors will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by us.

There can be no assurance that our trade secrets, including our proprietary ingredient blends will not become known to competitors

Our products are manufactured using our proprietary blends of ingredients. These blends are created by third-party suppliers to our specifications and then supplied to our co-packers. Although all of the third parties in our supply and manufacture chain execute confidentiality agreements, there can be no assurance that our trade secrets, including our proprietary ingredient blends will not become known to competitors. We believe that our competitors, many of whom are more established and have greater financial and personnel resources than we do, may be able to replicate or reverse engineer our processes, brands, flavors, or our products in a manner that could circumvent our protective safeguards. Therefore, we cannot give the reader any assurance that our confidential business information will remain proprietary. Any such loss of confidentiality could diminish or eliminate any competitive advantage provided by our proprietary information.

We may incur material losses as a result of product recall and product liability

We may be liable if the consumption of any of our products causes injury, illness or death. We also may be required to recall some of our products if they become contaminated or are damaged or mislabeled. A significant product liability judgment against us, or a widespread product recall, could have a material adverse effect on our business, financial condition and results of operations. The amount of the insurance we carry is limited, and that insurance is subject to certain exclusions and may or may not be adequate.

Key Personnel Risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific methods, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be overwhelming and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

We are dependent on our ability to attract and retain qualified technical, sales and managerial personnel. Our future success depends in part on our continuing ability to attract and retain highly qualified technical, sales and managerial personnel. Competition for such personnel in the beverage industry is high and we may not be able to retain our key managerial, sales and technical employees or attract and retain additional highly qualified technical, sales and managerial personnel in the future. Any inability to attract and retain the necessary technical, sales and managerial personnel could materially adversely affect us.

We are subject to significant competition in the beverage industry

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, distribution channel penetration, development of new products and flavors and marketing campaigns. Our products compete with a wide range of drinks produced by a relatively large number of manufacturers, most of

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which have substantially greater financial, marketing and distribution resources and name recognition than we do.

Important factors affecting our ability to compete successfully include the taste and flavor of our products, trade and consumer promotions, rapid and effective development of new, unique cutting-edge products, attractive and new packaging, branded product advertising and pricing. Our products compete with all liquid refreshments and with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers, such as The Coca Cola Company, Dr. Pepper, Snapple Group, PepsiCo Inc., Nestle, Waters North America, Inc., Hansen Natural Corp. and Red Bull. We also compete with companies that are smaller or primarily local in operation. Our products also compete with private label brands such as those carried by supermarket chains, convenience store chains, drug store chains, mass merchants and club warehouses. There can be no assurance that we will compete successfully in the functional beverage industry. The failure to do so would materially adversely affect our business, financial condition and results of operations.

Our business is substantially dependent upon awareness and market acceptance of our products and brands by our targeted consumers

We compete in an industry that is brand-conscious, so brand name recognition and acceptance of our products is critical to our success and significant marketing and advertising could be needed to achieve and sustain brand recognition. Our business is substantially dependent upon awareness and market acceptance of our products and brands by our targeted consumers. Our business depends on acceptance by the independent distributors of our brand as one that has the potential to provide incremental sales growth rather than reduce distributors' existing beverage sales. The development of brand awareness and market acceptance is likely to require significant marketing and advertising expenditures. There can be no assurance that we will achieve and maintain satisfactory levels of acceptance by independent distributors and retail consumers. Any failure of our brand to maintain or increase acceptance or market penetration would likely have a material adverse effect on business, financial condition and results of operations.

Our sales are affected by seasonality

As is typical in the beverage industry, our sales are seasonal. Our highest sales volumes generally occur in the second and third quarters, which correspond to the warmer months of the year in our major markets. Consumer demand for our products is also affected by weather conditions. Cool or wet spring and summer weather could result in decreased sales of our beverages and could have an adverse effect on our results of operations.

Our business is subject to many regulations and noncompliance is costly. The production, marketing and sale of our beverage products are subject to the rules and regulations of various federal, state and local health agencies. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined and/or production may be stopped, thus adversely affecting our business, financial condition and results of operations. Similarly, any adverse publicity associated with any noncompliance may damage our reputation and our ability to successfully market our products. Furthermore, the rules and regulations are subject to change from time to time and while we closely monitor developments in this area, we have no way of anticipating whether changes in these rules and regulations will impact our business adversely. Additional or revised regulatory requirements, whether labeling, environmental, tax or otherwise, could have an adverse effect on our business, financial condition and results of operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be relying on the capital markets to raise additional financing in the future, while establishing a client base for our products. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities with favorable terms in the future. If uncertain market conditions persist, our ability to raise capital

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could be jeopardized, which could have an adverse impact on our operations and the trading price of our common shares on the CSE.

In March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which is continuing to spread, together with any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.