

KOIOS BEVERAGE CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

MAY 31, 2023 AND 2022

(Expressed in US Dollars)

KOIOS BEVERAGE CORP.
Management's Discussion and Analysis
For the years ended May 31, 2023 and 2022
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") is prepared as of October 31, 2023. The information herein should be read in conjunction with the consolidated financial statements for the year ended May 31, 2023 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS").

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.sedarplus.ca.

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".

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".

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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 2V6. The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "KBEV" and the United States OTC stock market', under the symbol "KBEVF".

Koios, a wholly-owned subsidiary of the Company, 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 has relationships with some of the largest and most reputable distributors in the United States, including UNFI, Muscle Foods USA, and KeHE. 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 create 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.

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.

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

HIGHLIGHTS

The Company appointed Sherron Lewis to the board of directors. Mr. Lewis currently serves as Senior Vice President of American Financing Corporation, a Denver-based mortgage banker licensed in all fifty states of the United States with annual revenues of more than USD \$100 million.

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 at MillerCoors and at the Molson Coors Beverage Company, in which Mr. Luman was a Global Director.

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 Woods will be a valuable member of its advisory board.

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HIGHLIGHTS (CONTINUED)

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 current method of production.

HIGHLIGHTS – DISTRIBUTION

During fiscal 2023 and 2022, the Company had significant success in building a vast distribution network across the United States. To date, the Company has successfully secured several new distributors, including Blackbeard Beverage Company, a distributor for Carolina Canners Inc., an independent bottler for Pepsi beverages on the east coast of the United States, convenience stores across southern and eastern regions of the United States, and in 1,100 Food Lion Supermarkets in the Mid-Atlantic and Southeastern Regions of the United States.

Distributors:

The Company has secured a diverse network of distributors throughout the United States and has entered into the following distribution agreements:

On May 3, 2023, the Company announced that Fit Soda™ is now carried in Hy-Vee grocery stores, a multistate grocery chain based in Des Moines, IA. Hy-Vee, Inc. is an employee-owned corporation that operates in more than 285 retail stores across eight Midwestern states, with sales of more than \$13 billion annually¹. The supermarket chain is synonymous with quality, variety, convenience, healthy lifestyles, culinary expertise and superior customer service. Hy-Vee ranks in the Top 5 Most Trusted Brands and has been named one of America’s Top 3 favorite grocery stores. The company’s more than 80,000 employees provide “A Helpful Smile in Every Aisle” to customers every day.

On May 4, 2023, the Company announced that Fit Soda™ is now carried in Kings Food Markets and Balducci’s on the East Coast of the United States. Kings Food Markets is a premium American grocery chain headquartered in Parsippany, New Jersey, with stores in northern New Jersey, New York, and Connecticut. Kings Food Markets acquired Balducci’s in 2009. It’s worth noting that Balducci’s and Kings Food Markets, which are now carrying Fit Soda™, are both part of the Albertsons family of stores. Albertsons is a major grocery retailer that owns more than 2,200 stores under various banners, including Albertsons, Safeway, Vons, Jewel-Osco, Acme Markets, and Balducci’s. Within New Jersey, Albertsons operates 47 Acme Markets and 17 Kings Food Markets.

On May 9, 2023, the Company announced that Fit Soda™ is now available in 343 Circle K locations in Colorado, Texas, and New Mexico. Circle K has become one of the most widely recognized convenience store brands, known worldwide for quality products and great customer service. Circle K has come a long way since its humble beginnings, and they are proud of where they been and where they are going².

On May 16, 2023, the Company announced that Fit Soda™ was approved for placement in over 600 CVS Pharmacy locations in Texas, Tennessee, Missouri, New Jersey, California, Florida, Indiana and New York. Since the initial introduction of the Company’s KOIOS™ nootropic functional beverages into CVS Pharmacy locations on [May 3, 2022¹](#), the Company has captivated consumers seeking optimal cognitive support and enhanced focus. As a result of exceptional reception and growing demand by consumers for the Company’s products, CVS has undoubtedly been influenced to expand its commitment to the Company by carrying its entire lineup of hydrating, innovative and functional beverages. CVS is now carrying the following flavors of Fit Soda™: Orange Cream, Black Cherry Cola, Root Beer Vanilla Float and Sparkling Citrus.

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HIGHLIGHTS – DISTRIBUTION (CONTINUED)

On May 25, 2023, the Company unveiled its new Fit Soda™ Rainbow Sherbet flavor, which launched in all 1,100 Food Lion LLC (“Food Lion”) grocery store location starting in May of 2023. The Company is excited to continue its longstanding partnership with Food Lion by launching its new Rainbow Sherbet flavor in all 1,100 of its grocery stores. As a trusted retailer, Food Lion has been a valuable partner for many years, and this launch is a new way to reach even more consumers and boost sales. The Company recognizes the importance of working with retailers who share its commitment to providing healthy beverage options and supporting the needs of its customers. By partnering with Food Lion, the Company is able to leverage their established customer base and reach new audiences with its innovative new flavor. The launch of the Sherbet flavor is a testament to the strong relationship between the Company and Food Lion, and their shared dedication to meeting the evolving needs of consumers.

On June 28, 2023, the Company announced the successful expansion of Fit Soda™ into an additional 300 convenience store locations in Florida, South Carolina, North Carolina and Georgia, significantly increasing its presence in the market. With the inclusion of 300 more stores, Fit Soda™ is now proudly stocked in over 600 Circle K locations nationwide, demonstrating the successful growth and acceptance of Fit Soda™ within the Circle K community.

On July 5, 2023, the Company announced its expansion and placement of Fit Soda™ into all 40 Festival Foods locations across Wisconsin. Festival Foods is a renowned family-owned grocery company which operates stores throughout Wisconsin; they are known for their unwavering dedication to serving communities by providing high-quality products.

HIGHLIGHTS – RESEARCH AND DEVELOPMENT

Innovation within the retail market has never been more important, and the Company has been working to produce new and innovative flavours, as well as contemplate and implement new product offerings. In May of 2023, the Company unveiled its newest Fit Soda™ flavour, Rainbow Sherbet. The Company will continue to look forward and bring innovative and functional beverages to the market.

HIGHLIGHTS – FINANCING

Financing is an essential part of running our Company as we work to achieve greater profitability. The Company raised funds in Fiscal 2023 from the exercise of warrants and a private placement, and the Company continues to watch its cash flow to maintain operations. The Company intends to utilize funds to pursue potential opportunities and fund operations.

SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for the last three fiscal years is as follows, as expressed in United States dollars, and in accordance with IFRS:

	May 31, 2023	May 31, 2022	May 31, 2021
	\$	\$	\$
Total assets	2,381,815	2,504,506	1,557,331
Total long-term financial liabilities	633,302	16,625	68,696
Total revenues	1,245,323	1,200,983	640,963
Net loss and comprehensive loss	(8,045,468)	(21,065,021)	(2,193,578)
Loss per share, basic and diluted	(0.09)	(1.00)	(0.03)

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SELECTED ANNUAL INFORMATION (CONTINUED)

During fiscal 2022, the Company revenues grew by 87.4% since fiscal 2021, increasing to \$1,200,983 from \$640,963. In addition, the Company completed a financing in February 2022, raising gross proceeds of \$2,159,336. The increase in cash allowed the Company to purchase additional inventory and bolstered its cash position, which explains why the Company’s total assets grew year over year. Net loss and comprehensive loss increased from \$2,193,578 to \$21,065,021. The majority of the losses recorded during fiscal 2022 related to non-cash items, including amortization of \$55,928 (2021 - \$42,192), share based compensation of \$16,253,401 (2021 - \$343,861). The Company settled its convertible debenture and recorded a loss on amendment of convertible debenture of \$2,131,477 (2021 - \$Nil). Non cash items accounted for approximately 87% of the recorded net loss during fiscal 2022. During fiscal 2023, net loss and comprehensive loss decreased from \$21,065,021 to \$8,045,468. The majority of the decrease relates to decrease in stock-based compensation from \$16,253,401 to \$5,072,987 and decrease in loss on conversion of convertible debentures from \$2,131,477 to \$Nil.

RESULTS OF OPERATIONS

For the year ended May 31, 2023

For the year ended May 31, 2023, the Company incurred a loss of \$8,081,723 (2022 – \$21,159,674). A discussion of the significant variances is discussed below:

- Corporate development increased to \$352,288 from \$339,704. 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 beverage industry is very competitive and the Company’s brand awareness is a very important step in the overall success of the Company.
- Freight and shipping increased to \$346,208 from \$300,699 as the Company maintained its retail presence and more distributors agreed to freight-on-board (FOB) shipping terms.
- Amortization remained increased to \$86,725 from \$55,928 and is primarily related to the Company’s equipment, vehicle and right-of use assets. During the year ended May 31, 2023, the Company acquired a new office lease which has contributed to an increase in amortization expense.
- Consulting fees increased to \$1,528,510 from \$1,306,506 as the Company hired key consultants to provide corporate, advisory, and capital market services. The Company relies on consultants to help them achieve their 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 distribution agreements and product development requires due diligence and planning to ensure the products and agreements meet the Company’s standards.
- During the year ended May 31, 2023, BevCreation, the Company’s subsidiary, recorded its shared of loss of \$2,214 (2022 – income of \$40,965).
- Professional fees increased to \$327,927 from \$317,287 as a result of the Company incurring fees related to its annual financial statement audit in addition to its other professional fees which include accounting, legal and other professional fees required for its ordinary operations.
- Share-based compensation decreased to \$5,072,987 from \$16,253,401 and is attributed to the Company’s obligation to issue common shares and there were no equity instruments issued for acquisitions during the year ended May 31, 2023.

Revenue and Cost of Sales Analysis

Year ended,	May 31, 2023	May 31, 2022
	\$	\$
Sales	1,245,323	1,200,983
Cost of goods sold	(1,056,506)	(1,159,672)
Gross profit	188,817	41,311

- The Company’s wholly owned subsidiary, Koios, 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.

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RESULTS OF OPERATIONS (CONTINUED)

- 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 and will eliminate the need for expensive third-party co-packers.
- Fiscal 2022 was a difficult year with many obstacles, such as the impact of COVID-19 on the Company's supply chain and overall demand for its product. However, the company was able to grow with its focus on retail and intends to realize additional growth in 2023.
- During the year ended May 31, 2023, revenues increased to \$1,245,323 (2022 - \$1,200,983). The Company attributes the increase to several factors. During the year ended May 31, 2023, the Company has grown in several other verticals, including natural/specialty and C-Store, offering its new retail partners strong marketing and in-store promotions to create brand awareness and excitement. The Company's key executives continue to bolster its internal infrastructure to allow for significantly greater growth at the retail level. Additionally, the Company has significantly increased its digital marketing footprint to reach a broader audience through social media and streaming platforms. The audited revenue for the full fiscal year 2022 was \$1,200,983 which averages to a quarterly revenue of \$300,245. The Company's current trajectory is showing to surpass that average as a result of the continued success at the retail and distribution level.

SUMMARY OF QUARTERLY RESULTS

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

	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022
			\$	\$
Total assets	2,381,815	2,139,117	2,286,192	1,915,298
Working capital (deficiency)	(17,989)	(566,593)	(537,200)	13,494
Shareholders' equity (deficiency)	123,655	(385,837)	(303,640)	197,079
Revenue	340,181	388,553	239,756	276,833
Gross profit	177,359	3,375	39,520	(31,437)
Net loss and comprehensive loss	(809,921)	(2,540,275)	(2,535,527)	(2,159,745)
Loss per share	(0.01)	(0.03)	(0.03)	(0.03)

	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
	\$	\$	\$	\$
Total assets	2,504,506	3,349,355	935,949	1,220,432
Working capital	719,887	994,419	(841,766)	(285,401)
Shareholders' equity	914,661	920,369	(680,850)	(133,794)
Revenue	(7,220)	746,264	259,588	202,351
Gross profit	(161,191)	412,829	(213,636)	3,309
Loss and comprehensive loss	(19,998,800)	(196,593)	(528,847)	(340,781)
Loss per share	(0.39)	(0.009)	(0.06)	(0.04)

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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 May 31, 2023 and May 31, 2022 were as follows:

	May 31, 2023	May 31, 2022
	\$	\$
Working capital (deficiency)	(17,989)	719,887
Deficit	(44,972,281)	(36,890,558)

The Company anticipates its working capital will continue to improve over time as product is 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 favorable. 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 or at all. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests.

Liquidity and capital resources – Operating activities

Net cash used in operating activities for the year ended May 31, 2023 was \$2,306,499 (2022 - \$2,439,385). The decrease in net cash used in operating activities is primarily caused by decrease in distribution and hiring additional executives. Refer to operating activities in cash flow for more details.

Liquidity and capital resources – Financing activities

Net cash from financing activities for the year ended May 31, 2023 was \$1,465,663 (2022 – \$2,654,025). The decrease was due mainly to decrease in private placements and Nil exercise in warrants during the 2023 fiscal year.

RELATED PARTY TRANSACTIONS

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

Chris Miller	Chief Executive Officer, Director, and Interim Chief Financial Officer
Josh Luman	Director
Erik LeVang	Director
Sherron Lewis	Director

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RELATED PARTY TRANSACTIONS (CONTINUED)

The Company entered into the following transactions with related parties during the year ended May 31, 2023:

	For the year ended May 31,	
	2023	2022
Expenses		
Consulting fees paid or accrued to CEO	\$ 360,000	\$ 201,667
Consulting fees paid or accrued to the vice president	240,000	110,000
Consulting fees paid or accrued to a director of the Company	360,000	20,000
Accounting and corporate fees paid or accrued to a company controlled by the former CFO	—	8,403
Shares granted for consulting fees or performance bonus	—	778,458
Share based compensation	3,742,047	5,115,805
As at	May 31,	May 31, 2022
	2023	
Loan receivable from the CEO	100,276	105,276
Obligation to issue shares to the CEO and other key members of management	2,987,858	4,520,042
Due to related parties	203,337	193,672

As at May 31, 2023, the Company is owed \$100,276 (May 31, 2022 – \$105,276) from the CEO of the Company via a loan receivable. The loan receivable bears interest of 5% per annum, compounded monthly.

As at May 31, 2023, the Company owes \$203,337 (May 31, 2022 – \$193,672) to related parties or 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.

On February 27, 2023 the Company settled \$456,485 in debt through the issuance of Shares of the Company by issuing 9,129,665 Shares of the Company. 3,707,677 shares were issued to the Chris Miller, the Chief Executive Officer, 2,407,371 shares were issued to Sheron Lewis, director and President of Operations, 800,000 were issued to Josh Luman, director with the remaining shares issued to senior members of management. The settlement of the debt resulted in a gain on debt settlement of \$102,542.

On February 27, 2023 the Company issued 4,200,000 Shares to Chris Miller, the Chief Executive Officer of the Company, 2,800,000 Shares to Sheron Lewis, director and President of Operations, 400,000 Shares to Ryon Shack, President of Conventional Sales, 1,000,000 shares to Josh Luman, director and 3,925,000 Shares were issued to five employees and consultants in satisfaction of certain employment and consulting agreements, related to management and employee performance bonuses. Share based compensation related to these shares totaled \$4,540,000 which has been recorded over the past two fiscal years and reclassified out of obligation to issue shares, within equity.

Pursuant to the private placement on April 13, 2023, the CEO and other officers and directors subscribed for an aggregate total of 10,710,500 Units of the total 33,451,039 Units issued.

As at May 31, 2023, the Company owed BevCreation \$6,323 (May 31, 2022 - \$33,610) for processing fees.

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, loan receivable, convertible debenture, accounts payable and 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 a 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 because of 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, 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, has no source of operating income and has no assurance that additional funding will be available to fund its beverage operations, although 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. 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 as a going concern. 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.

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	142,094,226
Stock options	7,563,333
Warrants	61,640,442

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 Listing Statement. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our 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 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 or unanticipated requirements. This could seriously harm our business, financial condition, and results of operations.

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RISKS AND UNCERTAINTIES (CONTINUED)

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 and 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 used by us are flavors 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.

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.

KOIOS BEVERAGE CORP.
Management's Discussion and Analysis
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Expressed in US Dollars, unless otherwise stated

RISKS AND UNCERTAINTIES (CONTINUED)

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 trademarks will be issued with respect to any 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 you 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, 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 intense 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 intense 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.

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RISKS AND UNCERTAINTIES (CONTINUED)

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 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 different 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 are 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 our 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, wet spring or 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, 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.

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RISKS AND UNCERTAINTIES (CONTINUED)

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 dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. 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 in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations and the trading price of our common shares on the CSE.

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.