

**KOIOS BEVERAGE CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED**  
**AUGUST 31, 2023 AND 2022**

*(Expressed in US Dollars)*

**KOIOS BEVERAGE CORP.**  
**Management's Discussion and Analysis**  
**For the three months ended August 31, 2023 and 2022**  
**Expressed in US Dollars, unless otherwise stated**

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**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 November 8, 2023. The information herein should be read in conjunction with the condensed interim consolidated financial statements for the period ended August 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](http://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 Cannery 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 annually<sup>1</sup>. 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 going<sup>2</sup>.

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, 2022<sup>1</sup>](#), 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.

**RESULTS OF OPERATIONS**

**For the three months ended August 31, 2023**

For the three months ended August 31, 2023, the Company incurred a loss of \$1,514,243 (2022 – \$2,193,187). A discussion of the significant variances is discussed below:

- Corporate development decreased to \$10,598 from \$102,532. 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. In the current period, the Company reduced its corporate development to preserve cash.
- Freight and shipping decreased to \$58,322 from \$80,471 as the Company maintained its retail presence and more distributors agreed to freight-on-board (FOB) shipping terms.
- Amortization remained increased to \$30,965 from \$8,172 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.

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**RESULTS OF OPERATIONS (CONTINUED)**

- Consulting fees increased to \$406,636 from \$221,845 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 period ended August 31, 2023, BevCreation, recorded its shared of losses of \$23,849 (2022 - \$12,581).
- Professional fees decreased to \$64,476 from \$83,734 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 operations.
- Share-based compensation decreased to \$384,612 from \$1,460,167 and is attributed to a decrease in the Company’s equity pay-outs for meeting certain operational milestones.

**Revenue and Cost of Sales Analysis**

Year ended,	August 31, 2023	August 31, 2022
	\$	\$
Sales	<b>274,265</b>	276,833
Cost of goods sold	<b>(603,979)</b>	(308,270)
Gross loss	<b>(329,714)</b>	(31,437)

- 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.
- 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.
- The gross loss for the Company increased this quarter as we are on course to exceed past averages due to our consistent achievements in the retail and distribution sectors. Our gross margin, particularly for this quarter, was inflated due to production delays. These issues in production arose as we transitioned our manufacturing processes to Pepsi CO, leading to unexpected setbacks. This move was essential as we have observed unprecedented sales volumes and, thus, the need to upscale our production capacities. The gross revenue for this quarter stood at \$274,265. The cost of sales amounted to \$(603,979), yielding a gross margin of \$(329,714).
- For the fiscal year ending May 31, 2023, our revenue increased to \$1,245,323, in comparison to 2022’s revenue of \$1,200,983. This boost in revenue can be traced back to multiple contributing factors. In the fiscal year ending May 31, 2023, our Company has expanded its foothold into various markets, such as natural/specialty and C-Store. By collaborating with new retail partners, we’ve emphasized robust marketing strategies and in-store campaigns to magnify brand visibility and enthusiasm. Our lead executives persist in strengthening our internal framework, paving the way for expansive growth in the retail domain. On another note, our digital marketing outreach has experienced a significant upsurge, enabling us to connect with a more diverse audience via social media and streaming channels. To provide context, the verified revenue for the complete fiscal year of 2022 was \$1,200,983, breaking down to an average quarterly revenue of \$300,245.

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**SUMMARY OF QUARTERLY RESULTS**

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

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
				\$
Total assets	1,484,995	2,381,815	2,139,117	2,286,192
Working capital deficiency	(1,109,703)	(17,989)	(566,593)	(537,200)
Shareholders’ equity (deficiency)	(1,041,608)	123,655	(385,837)	(303,640)
Revenue	274,265	340,181	388,553	239,756
Gross profit (loss)	(329,714)	177,359	3,375	39,520
Net loss and comprehensive loss	(1,514,243)	(809,921)	(2,540,275)	(2,535,527)
Loss per share	(0.01)	(0.01)	(0.03)	(0.03)

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
	\$	\$	\$	\$
Total assets	1,915,298	2,504,506	3,349,355	935,949
Working capital	13,494	719,887	994,419	(841,766)
Shareholders’ equity	197,079	914,661	920,369	(680,850)
Revenue	276,833	(7,190)	746,264	259,588
Gross profit	(31,437)	(411,191)	412,829	(213,636)
Loss and comprehensive loss	(2,159,745)	(20,332,139)	(196,593)	(528,847)
Loss per share	(0.03)	(0.39)	(0.009)	(0.06)

During the period ended August 31, 2023, the Company’s total asset decreased to \$1,484,995 from \$2,381,815 due a reduction in cash of \$28,105 (2023 - \$508,859) and inventory of \$239,805 (2023 - \$643,455). The decrease in total assets is also reflected in the company’s working capital deficiency of \$1,109,703 (2023 - \$17,989).

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**

**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.

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**LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)**

**Liquidity and capital resources**

The Company’s working capital and deficit positions at August 31, 2023 and May 31, 2023 were as follows:

	<b>August 31, 2023</b>	May 31, 2023
	\$	\$
Working capital (deficiency)	<b>(1,109,703)</b>	(17,989)
Deficit	<b>(46,486,524)</b>	(44,972,281)

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 period ended August 31, 2023 was \$438,306 (2022 - \$596,741). The decrease in net cash used in operating activities is primarily caused by reducing the number of consultants the Company engages to preserve cash flow.

**Liquidity and capital resources – Financing activities**

Net cash used in financing activities for the period ended August 31, 2023 was \$6,816 (2022 – \$49,148). The Company lease payments increased to \$47,105 (2022 - \$10,491) as the Company entered into a new lease agreement during the year ended May 31, 2023. During the period ended August 31, 2023, the Company entered into short term loans, raising net proceeds of 40,289 (2022 – repayments of \$38,054).



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**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

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

	For the period ended August 31,	
	2023	2022
Expenses		
Consulting fees paid or accrued to CEO	\$ 90,000	\$ 47,000
Consulting fees paid or accrued to the vice president	60,000	23,300
Consulting fees paid or accrued to a director of the Company	60,000	48,040
Share based compensation	578,878	1,020,337
As at	August 31,	May 31,
	2023	2023
Obligation to issue shares to the CEO and other key members of management	4,072,466	2,987,858

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

As at August 31, 2023, the Company owes \$332,765 (May 31, 2023 – \$206,865) 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.

As at August 31, 2023, the Company owed BevCreation \$4,513 (May 31, 2023 - \$6,323) 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.

**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.

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**FINANCIAL INSTRUMENTS (CONTINUED)**

**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.

*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.

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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.

*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.

*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.

**KOIOS BEVERAGE CORP.**  
**Management's Discussion and Analysis**  
**For the three months ended August 31, 2023 and 2022**  
**Expressed in US Dollars, unless otherwise stated**

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**RISKS AND UNCERTAINTIES (CONTINUED)**

*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.

*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.

**KOIOS BEVERAGE CORP.**  
**Management's Discussion and Analysis**  
**For the three months ended August 31, 2023 and 2022**  
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**RISKS AND UNCERTAINTIES (CONTINUED)**

*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.

*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.