KOIOS BEVERAGE CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED
FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

(Expressed in US Dollars)

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 August 1, 2024. The information herein should be read in conjunction with the condensed interim consolidated financial statements for the periods ended February 29, 2024 and February 28, 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".

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 1890 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. 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.

CURRENT POSITION OF THE COMPANY

KOIOS Beverage Corp has navigated a series of significant challenges over recent years, particularly with its Fit Soda business division. Despite initial success and market penetration, the company has faced hurdles that have ultimately led to the decision to sell the intellectual property (IP) associated with Fit Soda.

In April 2024, Koios Beverage Corp. announced a non-binding letter of intent (LOI) with a beverage group based in North America. The transaction is contingent upon several factors, including due diligence by the purchaser, approvals from both companies' boards, execution of proprietary rights agreements with key employees, and CSE and shareholder approvals, if necessary. As of now, the parties are awaiting the completion of the purchaser's fundraising efforts, which is essential for moving forward with finalizing a binding definitive agreement. While the LOI permits Koios to explore other partnership opportunities, the Company remains focused on this transaction and aims to reach a Definitive Agreement by September 2nd, 2024. However, there is no guarantee that the transaction will be completed or the terms finalized as initially outlined.

Market Penetration and Growth Challenges

Fit Soda gained notable traction in the market, reflecting the management team's efforts in branding, marketing, and distribution. However, the rapid growth of the product line created an urgent need for substantial capital to sustain and expand operations. Unfortunately, this need coincided with a series of adverse external factors.

Supply Chain Issues

The COVID-19 pandemic profoundly disrupted global supply chains, affecting the availability and cost of raw materials necessary for Fit Soda production. The beverage industry, already characterized by tight margins and complex logistics, was hit hard by these disruptions. Supply chain delays and shortages resulted in increased lead times and higher costs, further straining the company's financial resources.

Inflationary Pressures

The food and beverage sector has been significantly impacted by inflationary trends, with costs for ingredients, packaging, and transportation rising sharply. These inflationary pressures compounded the financial strain on KOIOS Beverage Corp, making it increasingly difficult to maintain profitability without passing on costs to consumers, which risked eroding the customer base.

Capital Requirements and Financial Strain

Producing and marketing a beverage product like Fit Soda is inherently capital-intensive. The company's efforts to secure additional funding were met with challenges, particularly in the volatile public markets in Canada at the end of 2023 and beginning of 2024. Several potential investors withdrew their support at critical moments, leaving KOIOS Beverage Corp without the necessary capital to sustain its operations and growth trajectory.

Public Market Challenges

Operating as a publicly traded company introduces additional financial and regulatory burdens. Compliance with reporting requirements, investor relations, and market expectations adds layers of complexity and cost. These factors became increasingly difficult to manage amidst the broader economic uncertainties and the specific challenges faced by Fit Soda.

Volatile Market Conditions and Capital Constraints

The Canadian small-cap market, particularly for companies listed on the CSE Exchange, has faced significant headwinds in recent years. These challenges have been especially pronounced for Basic Industrial and Service Enterprises (BSCE) companies, which include many small-cap entities.

1. **Capital Dried Up**: The flow of capital to small-cap companies has slowed considerably. Investors, wary of the economic uncertainties exacerbated by the COVID-19 pandemic, have become more risk-averse. This cautious stance has led to a significant reduction in the availability of investment capital for emerging companies, making it difficult for them to raise funds necessary for growth and operations.
2. **Volatile Markets**: The CSE, known for its volatility, has seen pronounced fluctuations in recent years. Market instability has been driven by various factors, including global economic uncertainties, fluctuating commodity prices, and broader market sentiment. For small-cap companies, this volatility has translated into unpredictable stock prices and a challenging environment for securing stable investment.
3. **Mergers and Closures**: Faced with capital constraints and market volatility, many small-cap companies have had to make tough decisions. Some have opted to merge with other entities to pool resources and survive the turbulent market conditions. Others have been forced to shutter operations altogether due to an inability to secure necessary funding.

Impact on Fit Soda and KOIOS Beverage Corp

The experiences of these companies highlight the broader challenges faced by small-cap entities in Canada, particularly on the BCSE. For KOIOS Beverage Corp and its Fit Soda product line, these market conditions created an environment where raising significant capital became increasingly difficult. The volatility and capital constraints meant that even promising companies with strong market potential could struggle to secure the necessary funding for growth.

Decision to Halt Production and Sell IP

The culmination of these issues led to the difficult decision to halt Fit Soda production. The company had depleted its financial reserves and could not secure the needed investment. The halted production signaled a strategic pivot, as it became clear that continuing without significant new capital was untenable.

The belief that additional investment would materialize did not align with the reality of the tough economic conditions, especially in the Canadian public markets. The lack of incoming capital forced the company to reassess its cost management and operational strategies.

Strategic Shift and Future Focus

Due to the substantial capital requirements of the beverage industry and the current financial pressures, KOIOS Beverage Corp is actively pursuing the sale of the Fit Soda intellectual property (IP). As of now, there are interested parties, and the company is optimistic about entering into a Letter of Intent (LOI) within the next 90 to 120 days. This decision was driven by the need to redirect focus and resources towards more lucrative and sustainable opportunities. The potential sale of the Fit Soda assets is being explored as a strategic option that could help KOIOS Beverage Corp pay off debts, stabilize its financial position, and enable the company to pursue new ventures with greater profit potential and lower capital requirements.

KOIOS Beverage Corp's experience with Fit Soda underscores the broader challenges faced by the food and beverage industry in recent years. Supply chain disruptions, inflation, and the need for significant capital investment created a perfect storm that made it difficult for the product line to thrive. By selling the Fit Soda IP, the company is positioning itself to pursue new opportunities that align with its strategic goals and financial capabilities.

OPERATIONS HIGHLIGHTS – FINANCING

The Company is seeking the potential sale of Fit Soda's IP to finance operations and stabilize the Company.

RESULTS OF OPERATIONS

For the nine months ended February 29, 2024

For the nine months ended February 29, 2024, the Company had net income of $1,732,244 (2023 – net loss of $7,240,183). A discussion of the significant variances is discussed below:

- During the period ended February 29, 2024, the Company recorded a recovery in share-based compensation of $3,773,434 from an expense of $4,658,102 in the comparative period. The Company's share-based compensation approximates the fair value of the Company's equity pay-out to certain consultants for meeting operational milestones. In the current period, certain share-based compensation expenses were recovered as a result of a change in estimates.
- Corporate development decreased to $14,078 from $357,612. 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 $58,365 from $279,093. During the period ended February 29, 2024, the Company halted production and as a result, freight and shipping costs to distributors and retailers decreased.
- Amortization decreased to $58,682 from $65,226 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. In the current period, the Company defaulted on its equipment and office leases which resulted in an overall decrease in amortization.
- Consulting fees decreased to $1,094,278 from $1,254,695. 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. In the current period, the Company reduced its consulting fees to preserve cash. Included in consulting expenses are $630,000 (2023 - $810,000) to related parties.
- During the period ended February 29, 2024, the Company reduced its equity investment to $Nil (2023 - $84,011 as BevCreation halted production due to an overall lack of profitability. As such, the Company reduced its equity investment to $Nil.
- Professional fees decreased to $99,431 from $249,086 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. In the current period, the Company reduced its corporate development to preserve cash.

For the three months ended February 29, 2024

For the three months ended February 29, 2024, the Company recorded a net income of $3,186,718 (2023 – net loss of $2,540,275). A discussion of the significant variances is discussed below:

- During the three month period ended February 29, 2024, the Company recorded a recovery in share-based compensation of $4,158,046 from an expense of $1,709,922 in the comparative period. The Company's share-based compensation approximates the fair value of the Company's equity pay-out to certain consultants for meeting operational milestones. In the current period, certain share-based compensation expenses were recovered as a result of a change in estimates.
- Corporate development decreased to $5,729 from $72,533. 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 as production decreased.
- Freight and shipping decreased to $Nil from $105,503. During the period ended February 29, 2024, the Company halted production and as a result, freight and shipping costs to distributors and retailers decreased.
- Amortization decreased to $25,084 from $38,660 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 decreased to $690,840 from $444,815 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. In the current period, the Company reduced its corporate development to preserve cash.
- During the three month period ended February 29, 2024, BevCreation, recorded its shared of losses of $60,162 (2023 - $14,145).
- Professional fees decreased to $40,463 from $72,877 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. In the current period, the Company reduced its corporate development to preserve cash.

Expressed in US Dollars, unless otherwise stated

Revenue and Cost of Sales Analysis

Period ended,	February 29, 2024 $	February 28, 2023 $
Sales	**338,157**	905,142
Cost of goods sold	**(713,040)**	(893,684)
Gross margin (loss)	**(374,883)**	11,458

- 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.
- The Company encountered liquidity issues and could no longer operate. As such, the Company has had to sell its inventory at a loss, resulting in a negative gross margin of $374,883.
- Cost of sales include all expenditures related to the product such as ingredients and manufacturing costs.
- 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.

SUMMARY OF QUARTERLY RESULTS

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

	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023
	$	$	$	$
Total assets	351,100	1,259,730	1,484,995	2,381,815
Working capital deficiency	(1,915,128)	(1,109,703)	(1,109,703)	(17,989)
Shareholders' equity (deficiency)	(1,915,128)	(1,041,608)	(1,041,608)	123,655
Revenue	-	343,229	274,265	340,181
Gross profit (loss)	(114,098)	(260,785)	(329,714)	177,359
Net income (loss) and comprehensive income (loss)	3,186,718	(1,140,177)	(1,514,243)	(809,921)
Income (loss) per share	0.02	(0.01)	(0.01)	(0.01)

	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022
	$	$	$	$
Total assets	2,139,117	2,286,192	1,915,298	2,504,506
Working capital	(566,593)	(537,200)	13,494	719,887
Shareholders' equity	(385,837)	(303,640)	197,079	914,661
Revenue	388,553	239,756	276,833	(7,190)
Gross profit	3,375	39,520	(31,437)	(411,191)
Loss and comprehensive loss	(2,540,275)	(2,535,527)	(2,159,745)	(20,332,139)
Loss per share	(0.03)	(0.03)	(0.03)	(0.39)

During the period ended February 29, 2024, the Company's total asset decreased to $351,100 from $2,381,815 as at May 31, 2023 period due a reduction in cash to $Nil (May 31, 2023 - $508,859) and inventory of $118,186 (May 31, 2023 - $643,455). The decrease in total assets is also reflected in the company's working capital deficiency of $1,915,128 (May 31,2023 - $17,989).

The Company intends to fund short-term capital requirements via equity financings.

Expressed in US Dollars, unless otherwise stated

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.

Liquidity and capital resources

The Company's working capital and deficit positions at February 29, 2024 and May 31, 2023 were as follows:

	February 29, 2024	May 31, 2023
	$	$
Working capital deficiency	**(1,915,128)**	(17,989)
Deficit	**(43,240,038)**	(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 February 29, 2024 was $525,039 (2023 - $1,603,774). The decrease in net cash used in operating activities is primarily caused by the reduction of operations resulting in an overall decrease in cash used in operating activities.

Liquidity and capital resources – Financing activities

Net cash received from financing activities for the period ended February 29, 2024 was $13,467 (2023 – $686,832 received from financing activities). The Company lease payments increased to $36,527 (2023 - $31,472) as the Company entered into a new lease agreement during the year ended May 31, 2023. During the period ended February 29, 2024, the Company entered into short term loans, raising net proceeds of $49,994 (2023 –$147,634). Additionally, the Company raised funds of $Nil via private placements (2023 - $73,196), obligation to issue shares of $Nil (2023 - $500,190) and made vehicle loan repayments of $Nil (2023 - $2,716).

Expressed in US Dollars, unless otherwise stated

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
Gina Burris	Vice President
Erik LeVang	Director
Sherron Lewis	Director

The Company entered into the following transactions with related parties during the periods ended February 29, 2024 and February 28, 2023:

	For the period ended, 2024	2023
Expenses		
Consulting fees paid or accrued to CEO	$ 270,000	$ 270,000
Consulting fees paid or accrued to the vice president	180,000	180,000
Consulting fees paid or accrued to directors of the Company	180,000	360,000
Share based compensation	-	2,987,858

As at	February 29, 2024	May 31, 2023
Loan receivable from the CEO	100,276	105,276
Obligation to issue shares to the CEO and other key members of management	847,458	4,520,042
Due to related parties	716,956	193,672

As at February 29, 2024, 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 February 29, 2024, the Company owes $716,956 (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 February 29, 2024, 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.

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.

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	40,891,619

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.

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.

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 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.

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.

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.

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.

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.