



JONES SODA CO.

FORM 2A - LISTING STATEMENT

FEBRUARY 15, 2022

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CAUTIONARY STATEMENTS REGARDING U.S. CANNABIS OPERATIONS

Jones Soda Co. may derive a substantial portion of its revenues from the cannabis industry in certain states, which industry is illegal under United States federal law. Jones Soda Co. will be directly involved only in the cannabis industry in the United States where local state laws permit such activities.

The United States federal government regulates drugs through the Controlled Substances Act (as defined below), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any indication.

In the United States cannabis is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal under state and local law, or if existing applicable state laws are repealed or curtailed, Jones Soda Co.'s planned cannabis business, its results of operations, financial condition and prospects would be materially adversely affected. See Section 17 of this Listing Statement – Risk Factors for additional information on this risk.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, on February 8, 2018 the Canadian Securities Administrators

published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator’s disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

Please see the table of concordance under Trends, Commitments, Events or Uncertainties in Section 3.3 for further information on the material facts, risks and uncertainties related to U.S. issuers with cannabis-related activities.

GLOSSARY

“**Acquisition**” means the acquisition of all the issued and outstanding Pinestar Shares by Jones Soda as set out in the Arrangement Agreement;

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an “**Affiliate**” of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is “controlled” by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**Arrangement Agreement**” means the agreement dated October 18, 2021, made among Jones Soda and Pinestar, as amended;

“**Associate**” has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**Auditors**” has the meaning ascribed to such term in Section 21.1 of this Listing Statement;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**Board of Directors**” means the board of directors of Jones Soda;

“**CBD**” means cannabidiol;

“**CDS**” means the CDS Clearing and Depository Services Inc.;

“**CEO**” means Chief Executive Officer;

“**Closing**” means the closing of the Transaction;

“**Closing Date**” means the date of closing of the Transaction;

“**Cole Memorandum**” has the meaning ascribed to such term in Section 3.3 of this Listing Statement;

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Consolidation**” means the consolidation of the issued and outstanding pre-consolidated Pinestar Shares at a ratio of 10.031 pre-Consolidation Pinestar Shares for one post-Consolidation Pinestar Share completed by Pinestar effective on November 2, 2021;

“**Contingent Convertible Debentures**” means the 3.00% unsecured convertible debentures due on February 9, 2023 issued by Jones Soda and convertible into units of Jones Soda at a US\$0.50 price per unit (with each unit consisting one Jones Soda Share and one Jones Special Warrant) only upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures as well as all of the other then outstanding convertible/exercisable securities of Jones Soda;

“**Contingent Convertible Debenture Financing**” means the offering of US\$3,000,000 in aggregate principal amount of Contingent Convertible Debentures completed by Jones Soda on February 9, 2022;

“**Controlled Substances Act**” has the meaning ascribed to such term under the heading “*Cautionary Statements Regarding U.S. Cannabis Operations*”;

“**Conversion of Subscription Receipts**” means the automatic exchange of Subscription Receipts for Pinestar Shares and Pinestar Sub Receipt Warrants without payment of additional consideration pursuant to the terms and conditions of the Subscription Receipts and the Subscription Receipt Agreement;

“**Convertible Debenture**” means the 5.00% senior unsecured convertible debenture due July 14, 2023 issued by Jones Soda to SOL Verano Blocker 1 LLC.

“**Court**” means the Supreme Court of British Columbia, or other court as applicable;

“**CSA**” means the Canadian Securities Administrators;

“**CSE**” means the Canadian Securities Exchange;

“**CSE Listing**” means the listing of the Resulting Issuer Shares on the CSE;

“**DOJ**” has the meaning ascribed to such term in Section 3.3 of this Listing Statement;

“**Effective Date**” means the effective date of the Transaction;

“**Exchange Ratio**” means the ratio of one Jones Soda Share for each issued and outstanding post-Consolidation Pinestar Share as of the Closing Date;

“**FinCEN Memorandum**” has the meaning ascribed to such term in Section 3.3 of this Listing Statement;

“**Jones Soda**” or the “**Issuer**” means Jones Soda Co. , a Washington State company incorporated on February 14, 2000;

“**Jones Soda Annual Financial Statements**” means the audited statement of financial position of Jones Soda as at December 31, 2020 and 2019, and the statements of comprehensive loss, changes in shareholders’ equity (deficiency), and cash flows for the years then ended;

“**Jones Soda Annual MD&A**” means Jones Soda’s MD&A for the years ended December 31, 2020 and 2019;

“**Jones Soda Interim Financial Statements**” means the unaudited nine-month period ended September 30, 2021 and the statements of comprehensive loss, changes in shareholders’ equity (deficiency), and cash flows for the period then ended;

“**Jones Soda Interim MD&A**” means Jones Soda’s MD&A for the nine-month period ended September 30, 2021;

“**Jones Soda Option Plan**” has the meaning set out to such term in Section 9.1 of this Listing Statement;

“**Jones Soda Options**” has the meaning set out to such term in Section 9.1 of this Listing Statement;

“**Jones Soda Shareholders**” means the holders of Jones Soda Shares;

“**Jones Soda Shares**” means the shares of common stock without par value in the capital of Jones Soda;

“**Jones Special Warrants**” means share purchase special warrants of Jones, with each Jones Special Warrant exercisable into one Jones Soda Share at a price of US\$0.625 per Jones Soda Share for a period of 24 months from the date of issuance, conditional upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Soda Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda;

“**Leahy Amendment**” has the meaning ascribed to such term under Section 3.3 of this Listing Statement;

“**Listing Date**” means the date of the CSE Listing;

“**Listing Statement**” means this listing statement;

“**MD&A**” means management’s discussion and analysis;

“**person**” means a company or individual;

“**Pinestar**” means Pinestar Gold Inc., a British Columbia company incorporated on March 8, 2006 under the name “Hedger Capital Inc.”, which subsequently changed its name to “Pinestar Gold Inc.” on January 28, 2010;

“**Pinestar Annual Financial Statements**” means the audited Statement of financial position of Pinestar as at March 31, 2021 and 2020 and the statements of comprehensive loss, changes in shareholders’ equity (deficiency), and cash flows for the years then ended;

“**Pinestar Interim Financial Statements**” means the unaudited interim financial statements of Pinestar for the six-month period ended September 30, 2021 and 2020;

“**Pinestar Shareholders**” means holders of Pinestar Shares;

“**Pinestar Shares**” means common shares in the capital of Pinestar;

“**Pinestar Sub Receipt Warrants**” means those warrants of Pinestar granted upon exchange of the Subscription Receipts, each warrant exercisable for one post-Consolidation Pinestar Share at a price of US\$0.625 per share for a period of 24 months from the date of issuance, conditional upon Pinestar increasing its authorized capital to an amount to cover the Pinestar Shares issuable pursuant to all of the outstanding Pinestar Sub Receipt Warrants as well as the other Pinestar Shares issuable pursuant to the then outstanding convertible/exercisable securities of Pinestar, if applicable;

“**Pinestar Warrants**” means the 1,674,808 warrants of Pinestar exercisable for 1,674,808 post-Consolidation Pinestar Shares at an exercise price of C\$0.06 per share until March 31, 2024;

“**Resulting Issuer**” means Jones Soda after giving effect to the Transaction;

“**Resulting Issuer Shares**” means Jones Soda Shares after the Transaction;

“**SAR**” has the meaning ascribed to such term in Section 3.3 of this Listing Statement;

“**SEC**” means the United States Securities and Exchange Commission;

“**Securities Act**” means the *Securities Act* (British Columbia);

“**SEDAR**” means System for Electronic Document Analysis and Retrieval;

“**Staff Notice 51-352**” has the meaning ascribed to such term in Section 3.3 of this Listing Statement;

“**Subscription Receipt Agreement**” means the Subscription Receipt Agreement among Jones Soda, Pinestar, and Subscription Receipt Agent made as of February 8, 2022;

“**Subscription Receipt Financing**” means the equity financing of Pinestar completed on February 8, 2022 raising gross proceeds of US\$8,000,000 through the issuance of Subscription Receipts at US\$0.50 per Subscription Receipt;

“**Subscription Receipts**” means subscription receipts issued by Pinestar pursuant to the Subscription Receipt Financing, each of which were automatically exchanged to acquire one Pinestar Share (on a post-Consolidation basis) and one Pinestar Sub Receipt Warrant upon the satisfaction of certain escrow conditions related to the Acquisition, prior to the Effective Time, all as governed by the Subscription Receipt Agreement;

“**THC**” means tetrahydrocannabinol;

“**Transaction**” means the (i) Consolidation; (ii) Conversion of Subscription Receipts; (iii) Acquisition; and (iv) CSE Listing;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

“**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**USAM**” has the meaning set ascribed to such term in Section 3.3 of this Listing Statement; and

“**2014 Cole Memo**” has the meaning set out to such term in Section 3.3 of this Listing Statement.

1. INTRODUCTION

1.1 General Matters

This Listing Statement was furnished by and on behalf of the management of Jones Soda in order to qualify for listing of the securities of the Resulting Issuer.

The information contained or referred to in this Listing Statement with respect to Pinestar and its related business and subsidiaries has been provided by the former management of Pinestar in place prior to closing of the Transaction. Jones Soda has reviewed information and documents provided by Pinestar, including audited financial statements of Pinestar. Management and directors of Jones Soda have relied upon Pinestar for the accuracy of the information provided by Pinestar.

1.2 Forward-Looking Statements

Certain statements contained or incorporated by reference in this Listing Statement are “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (collectively, “**forward-looking statements**”), including, but not limited to, those relating to the Transaction, information concerning Jones Soda and Pinestar, and other statements that are not historical facts. All statements made in this Listing Statement other than statements of historical fact, including statements that address operating performance, the economy, events or developments that Jones Soda’s management expects or anticipates will or may occur in the future, including statements related to sales, revenues, profitability, distributor channels, new products, adequacy of funds from operations, cash flows and financing, our ability to continue as a going concern, potential strategic transactions, statements regarding future operating results and non-historical information, are forward-looking statements. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including Jones Soda’s experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that

such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, milestones, strategies and outlook of the Resulting Issuer, including but not limited to those statements under the headings “*General Development of the Business*”, “*Narrative Description of the Business*”, and “*Risk Factors*”. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “pro forma”, “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts”, “seeks”, “likely” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. Examples of the assumptions underlying the forward-looking statements contained herein include, but are not limited to those related to: the ability of the Resulting Issuer to obtain necessary financing to pursue its business plans, the achievement of goals, the obtaining of all necessary permits and governmental approvals, as well as expectations regarding availability of equipment, skilled labour and services needed for the Resulting Issuer’s operations, intellectual property rights, development, operating or regulatory risks, trends and developments in the cannabis industry, business strategy and outlook, expansion and growth of business and operations.

In particular, the Resulting Issuer’s business, including its financial condition and results of operations and its ability to continue as a going concern may be impacted by a number of factors, including, but not limited to, the following:

- The ability to successfully execute on Jones Soda’s growth strategy and operating plans;
- The ability to continue to effectively utilize the proceeds from Jones Soda’s 2019 financing from Heavenly Rx Ltd.;
- The ability to manage operating expenses and generate cash flow from operations, along with the ability to secure additional financing if our sales goals take longer to achieve than anticipated;
- The ability to create and maintain brand name recognition and acceptance of Jones Soda’s products, which is critical to its success in its competitive, brand-conscious industry;
- The ability to effectively adjust and execute Jones Soda’s marketing strategies in light of the various closures and event delays caused by the COVID-19 pandemic and the potential adverse impact on demand for Jones Soda’s products caused by the COVID-19 pandemic;
- The ability to compete successfully against much larger, well-funded, established companies currently operating in the beverage industry generally, including in the fountain business, particularly from other major beverage companies;
- Entrance into and increased focus on the craft beverage segment by other major beverage companies;

- The ability to respond to changes in the consumer beverage marketplace, including potential reduced consumer demand due to health concerns (including obesity) and legislative initiatives against sweetened beverages (including the imposition of taxes);
- The ability to successfully develop and launch new products that match consumer beverage trends, and to manage consumer response to such new products and new initiatives;
- The ability to maintain brand image and product quality and avoid risks from product issues such as product recalls;
- The ability to manage Jones Soda's inventory levels and to predict the timing and amount of its sales;
- The reliance on third-party contract manufacturers of Jones Soda products and the geographic locations of the facilities of such third-party manufacturers, which could make management of our distribution efforts inefficient or unprofitable;
- The ability to secure a continuous supply and availability of raw materials, as well as other factors that may adversely affect Jones Soda's supply chain, including increases in raw material costs, potential shortages of glass in the supply chain and the impact of the COVID-19 pandemic;
- The ability to develop and commercialize cannabis-infused beverages and edibles and comply with laws and regulations governing cannabis, hemp, or related products;
- The ability to source our flavors on acceptable terms from Jones Soda's key flavor suppliers;
- The ability to attract and retain key personnel, the loss of whom would directly affect efficiency and operations and could materially impair Jones Soda's ability to execute our growth strategy;
- The ability to protect Jones Soda's trademarks and trade secrets, the failure of which may prevent us from successfully marketing its products and competing effectively;
- Litigation or legal proceedings, which could expose us to significant liabilities and damage our reputation;
- The ability to comply with the many regulations to which Jones Soda's business is subject;
- The ability to maintain an effective information technology infrastructure;
- Fluctuations in fuel and freight costs;

- Fluctuations in currency exchange rates, particularly between the United States and Canadian dollars;
- Regional, national or global economic, political, social and other conditions that may adversely impact Jones Soda's business and results of operations, including the COVID-19 pandemic;
- The ability to maintain effective disclosure controls and procedures and internal control over financial reporting;
- Dilutive and other adverse effects on Jones Soda's existing shareholders and its stock price arising from future securities issuances;
- The ability to access the capital markets for any future equity financing, and any actual or perceived limitations to Jones Soda common stock by being traded on the OTCQB Venture Marketplace, including the level of trading activity, volatility or market liquidity;
- Government regulations, including future legislative and regulatory developments involving medical and recreational marijuana and the timing thereto;
- The anticipated changes to laws regarding the recreational use of cannabis;
- The demand for cannabis products and corresponding forecasted increase in revenues;
- The size of the medical marijuana market and the recreational marijuana market; and
- Other risks described in this Listing Statement and described from time to time in documents filed by Jones Soda or Pinestar with Canadian securities regulatory authorities.

Other assumptions on which the forward-looking information contained herein is predicated are set out in this Listing Statement and the documents incorporated by reference herein.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of material factors, many of which are beyond the control of Jones Soda, that may cause actual outcomes to differ materially from those discussed in the forward-looking statements. These factors include, but are not limited to: completion of the Transaction; limited operating history; reliance on management; additional financing; profitability of the Resulting Issuer; ongoing costs and obligations; competition; future acquisition or disposition; product liability; product recalls; product approvals; promotion and maintenance of brands; dependence on suppliers and skilled labour; management of growth; intellectual property risks; security breaches; client acquisitions; changes in laws, regulations and guidelines; constraints on marketing products; uncertainty surrounding existing protection from U.S. federal prosecution; cannabis continues to be illegal under U.S. federal law; volatility in the market price of the Resulting Issuer Shares; and management's success in anticipating and managing the foregoing factors, as well as the risks described under "*Risk Factors*" and other risks set out in this Listing Statement and the documents incorporated by reference herein.

These risk factors are not intended to represent a complete list of the risk factors that could affect the Resulting Issuer. Although Jones Soda has attempted to identify in this Listing Statement important factors that could cause actual actions, events or results to differ materially from those described in the forward looking statements included herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended, and there can be no assurance that the forward-looking statements in this Listing Statement will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements in this Listing Statement. All of the forward-looking statements made in this Listing Statement are qualified by these cautionary statements.

These forward-looking statements are made as of the date of this Listing Statement and, other than as specifically required by law, Jones Soda does not assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

1.3 Information Contained in this Listing Statement

The information contained in this Listing Statement is given as at February 15, 2022, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein. No person has been authorized to give any information or to make any representation in connection with the Transaction and other matters described herein other than those contained in this Listing Statement and, if given or made, any such information or representation should be considered not to have been authorized by Jones Soda.

This Listing Statement does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Listing Statement should not be construed as personal legal, tax or financial advice to any person and Jones Soda Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Listing Statement of the terms of the Arrangement Agreement and other material documents are summaries of the terms of those documents and are qualified in their entirety by such terms. You should refer to the full text of each of these documents for complete details of the same. The full text of the Arrangement Agreement and all other material documents are available on Jones Soda's SEDAR profile available at www.sedar.com, on the SEC's EDGAR Database at www.sec.gov and on Jones Soda's website at www.jonessoda.com.

1.4 Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications. Jones Soda believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained

therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, Jones Soda has not independently verified any of the data from third-party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

1.5 Currency

Unless otherwise indicated, all references to “\$” or “US\$” in this Listing Statement refer to United States dollars and all references to “C\$” in this Listing Statement refer to Canadian dollars.

2. CORPORATE STRUCTURE

2.1 Corporate Name

Jones Soda

This Listing Statement has been prepared in connection with the proposed listing on the CSE of the Resulting Issuer.

The full corporate name of the Resulting Issuer is “*Jones Soda Co.*” The principal and registered office of Jones Soda is 66 South Hanford Street, Suite 150, Seattle, Washington 98134.

Pinestar

The full corporate name of Pinestar is “*Pinestar Gold Inc.*”. The principal and registered office of Pinestar is 1049 Chilco Street, Suite 405, Vancouver, British Columbia V6G 2R7.

2.2 Incorporation

Jones Soda

Jones Soda was incorporated in the State of Washington under the Washington Business Corporation Act on February 14, 2000 under the name “*Jones Soda Co.*” as a successor to Urban Juice and Soda Company Ltd., a Canadian company formed in 1986. On December 31, 1999, Urban Juice was continued from the Province of British Columbia, Canada into the State of Wyoming, and then on August 1, 2000 Urban Juice merged with and into Jones Soda, with Jones Soda as the surviving company.

The Issuer has the Jones Soda Shares registered under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). The Jones Soda Shares are currently publicly traded on the OTCQB operated by the OTC Markets Group. Jones Soda Shares were previously listed on the NASDAQ and TSX Venture Exchange and Jones Soda was previously a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. In 2009, Jones Soda voluntarily delisted from the TSX Venture Exchange and in 2011, the Issuer applied for and received an order to cease to be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. In 2012,

the Issuer was delisted from the NASDAQ due to non-compliance with the minimum price requirements of that exchange.

As of completion of the Transaction, Jones Soda again became a reporting issuer in the Provinces of British Columbia and Alberta.

Pinestar

Pinestar was incorporated in British Columbia on March 8, 2006 under the name Hedger Capital Inc. Pinestar was incorporated under the BCBCA on March 8, 2006. Pinestar changed its name from “Hedger Capital Inc.” to “Pinestar Gold Inc.” on January 28, 2010.

On January 26, 2007, Pinestar received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta and British Columbia. Pinestar completed its initial public offering of Pinestar Shares as a capital pool company (as defined by the TSX Venture Exchange) on March 29, 2007. Pinestar Shares began trading on the TSX Venture Exchange on April 2, 2007 under the trading symbol “HEC.P”. Trading of the Pinestar Shares was voluntarily halted by Pinestar on May 14, 2009 pending a qualifying transaction with Orectech Resources Inc., whereby Pinestar acquired all of the issued and outstanding common shares of Orectech Resources Inc. pursuant to a share exchange agreement (the “**Qualifying Transaction**”). Following the completion of the Qualifying Transaction, the Pinestar Shares resumed trading on the TSX Venture Exchange under the trading symbol “PNS.” On August 7, 2013, the BCSC issued a cease trade order for failure to file audited financial statements and trading of the Pinestar Shares was suspended as a result. On September 30, 2013, Pinestar was reinstated for trading. On August 6, 2014 and November 5, 2014, the BCSC and the ASC, respectively, issued cease trade orders for failure to file audited financial statements and annual management discussion and analysis and trading of the Pinestar Shares was suspended. On March 22, 2021, the BCSC and ASC issued orders revoking their cease trade orders.

2.3 Intercorporate Relationships

Jones Soda

In addition to Pinestar (which became a subsidiary upon closing of the Transaction), Jones Soda currently has the following three subsidiaries:

- Jones Soda Co. (USA) Inc. – A wholly-owned subsidiary, incorporated in the State of Washington;
- Jones Soda (Canada) Inc. – A wholly-owned subsidiary, incorporated in British Columbia; and
- Jones Soda Cannabis Inc. – A wholly-owned subsidiary, incorporated in the State of Delaware.

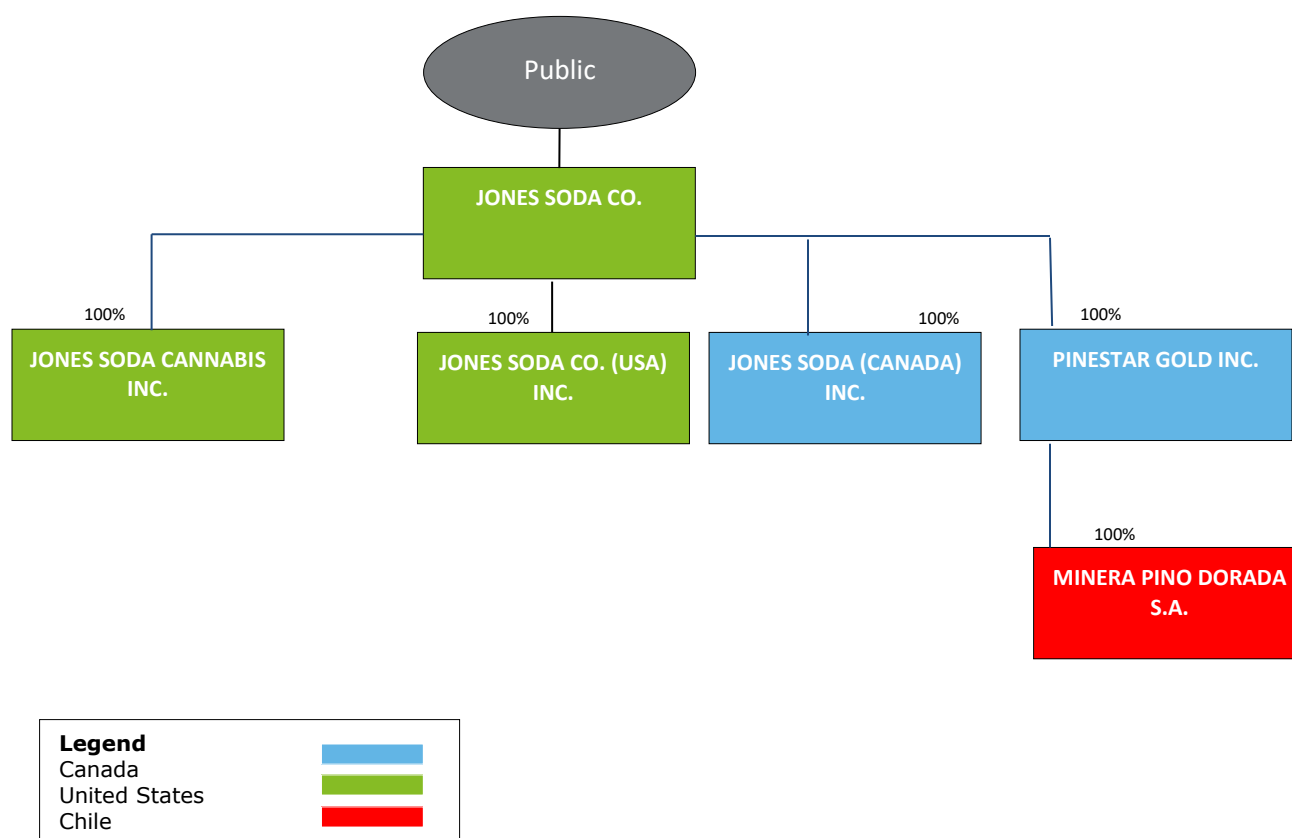
Pinestar

Pinestar's sole is Minera Pino Dorada S.A. Pinestar is the sole shareholder of Minera Pino Dorada S.A.

Oretech Resources Inc. was a wholly-owned subsidiary of Pinestar until it was dissolved under the BCBCA on January 18, 2016 for failure to file its annual returns.

Resulting Issuer

The following chart illustrates the intercorporate relationship that is in place as of the closing of the Transaction:



Please refer to Section 2 – *The Transaction* for a detailed description of the Transaction.

2.4 Non-Corporate Issuers or Issuers Incorporated Outside of Canada

Jones Soda is governed by the Washington Business Corporation Act, contained in the Revised Code of Washington (the “**WBCA**”) as well as the Article of Incorporation of Jones Soda Co. (the “**Jones Articles**”) and the Amended and Restated Bylaws of Jones Soda Co. (the “**Jones Bylaws**”) and together with the Jones Articles, the “**Jones Governing Documents**”). Jones Soda also has charters governing each of Jones Soda’s audit committee, compensation and governance committee and nominating committee (the “**Committee Charters**”) as well as a Code of Ethics

and Code of Conduct. In aggregate the provisions of the WBCA, Jones Governing Documents and Committee Charters and the Jones Soda Code of Conduct and Code of Ethics do not differ materially from Canadian corporate legislation with respect to the corporate governance principals set out in CSE Policy 4 – Corporate Governance and Miscellaneous Provisions, except for the following:

- Neither the Jones Governing Documents nor the WBCA provide that Jones’ Chief Financial Officer must be financially literate as defined in National Instrument 52-110 *Audit Committee* (“NI 52-110”) and have experience or knowledge of Canadian corporate governance laws and reporting requirements or that no individual may act as both Jones’ Chief Executive Officer and Chief Financial Officer at the same time.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Business

Jones Soda

Overview

Jones Soda develops, produces, markets and distributes beverages that it sells and distributes primarily in each of the states of the United States except for Connecticut and Hawaii, and each of the Provinces of Canada through its network of independent distributors and directly to its national and regional retail accounts. Jones Soda also sells products in the following select international markets: Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Jersey, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom and Australia. Jones Soda’s products are sold in grocery stores, convenience and gas stores, on fountain in restaurants, “up and down the street” in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through larger retailers such as Walmart, Kroger, 7-Eleven (Canada and United States), Albertsons/Safeway, Meijer, Cost Plus, Cub Foods, Webstaurant/Clarke Foods, and Costco. Jones Soda refers to its network of independent distributors as Jones Soda’s direct store delivery (“**DSD**”) channel, and to its national and regional accounts who receive shipments directly from Jones Soda as its direct to retail (“**DTR**”) channel. Jones Soda does not directly manufacture our products, but instead outsource the manufacturing process to third-party contract manufacturers such as Delta Beverages and Alliance Labeling in Ontario, Canada, Excel Bottling in Breese, Illinois, Noel Canning in Yakima Washington, and Lion Brewery in Pennsylvania. Jones Soda also sells various products online, including soda with customized labels, wearables, candy and other items, and it licenses its trademarks such as its Jones Soda logo for use on products sold by other manufacturers.

Jones Soda Products

For further information, please see Section 4.1 – *Narrative Description of the Business – Principal Products or Services*.

Sparkling Beverage Industry

Jones Soda beverages are classified in the sparkling beverage category, which encompasses the carbonated soft drinks (CSD) segment. Within the CSD segment are craft and premium sodas, which provide consumers with alternatives to the large corporate brands and is where the Jones Soda line competes.. In the United States, craft and premium sodas are typically distributed through the grocery, drug, mass, club, convenience, independent account and online sales channels.

Product Distribution and Sales Strategy

Jones Soda's core products are distributed and sold in all of the states in the United States except for Connecticut and Hawaii, and each of the Provinces of Canada and in the following select international markets: Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Jersey, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom and Australia. The primary distribution channels are direct store delivery (DSD) channels (sales and distribution through our network of independent distributors) and direct to retail (DTR) channels (sales directly to national and regional retail accounts). Jones Soda also has an online channel for internet sales of various products. Jones Soda strategically built its national and regional retailer network by focusing on distribution systems that it believes will provide top-line drivers for our products and increased availability and visibility of its products in its core markets. In building and expanding its DSD channel, Jones Soda also considers international markets, such as the countries listed above, and looks for regions that data suggests have a high affinity for the Jones brand and can be pursued within its financial resources.

Part of Jones Soda's strategy in building its distribution system is to blend its DSD and DTR distribution channels, delivering different offerings through alternate channels. In determining the most advantageous distribution channel, Jones Soda also considers what works best for the customer, allowing for better retail activation and in-store presence, including seeking placement on shelves that are normally restricted to national mainstream brands and placement in the cold-aisle, thus providing us access to the important "take home market." Jones Soda has also introduced the JONES Cane Sugar Fountain program through a network of fountain distributors in select regions across the United States and Canada to provide fountain equipment. These regions include: Washington, Oregon, California, Nevada, Illinois, Iowa, New York, New Jersey, Pennsylvania, Texas, Florida, Georgia, North Carolina, South Carolina, and each of the Provinces of Canada.

For the year ended December 31, 2020, A. Lassonde Inc. ("**Lassonde**"), one of Jones Soda's independent distributors and its top account by revenue represented approximately 24% of revenue. Jones Soda intends to continue to expand its distributor network and DTR accounts, which may result in a decreased dependence on any one or more of its independent distributors or national retail accounts.

Jones Soda contracts with independent trucking companies to have its products shipped from its contract manufacturers to independent warehouses and then on to its distributors and national retail accounts. Distributors then sell and deliver Jones Soda's products either to sub-distributors or directly to retail accounts. Jones Soda recognizes revenue upon receipt by its distributors and

national account customers of its products, net of discounts and promotional allowances, and all sales are final; however, in limited instances, due to credit issues, quality or damage issues, or distributor changes, Jones Soda may accept returned product, which to date has not been material.

DSD (direct store delivery)

Jones Soda maintains a network of independent distributors across all of the states in the United States, except for Connecticut and Hawaii, and each of the Provinces in Canada. Jones Soda also has a secured distribution in the following select international markets: Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Jersey, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom and Australia, and is evaluating other international opportunities for our products. Jones Soda chooses its distributors based on its perception of their ability to build our brand franchise in convenience stores, grocery stores, on fountain in restaurants and “up and down the street” in independent accounts such as delicatessens and sandwich shops.

Typically, Jones Soda grants its independent distributors exclusive distribution rights in defined territories, which may include invasion fees in the event it provides product directly to one of its national retailers located in the distributor’s region. Jones Soda is also obligated to pay termination fees for cancellations of most of these written distributor agreements, unless the termination is for “cause. For example, Jones Soda is party to a distribution agreement with Lassonde that, unless earlier terminated by either party for “cause,” currently renews on an annual basis, unless either party gives notice to the other party of its intention not to renew the agreement not less than 90 days prior to the commencement of the next renewal term. The distribution agreement grants Lassonde the exclusive right to sell our products throughout Canada, subject to certain exceptions for Jones Soda’s national accounts, and imposes certain requirements on Lassonde, including obligations related to maintaining inventory levels and providing certain reports and prohibits “dumping” activities.

Jones Soda intends to continue our efforts to reinforce and expand its distribution network by partnering with new distributors and replacing underperforming distributors. In addition to the efforts of Jones Soda’s independent distributors in obtaining distribution of Jones Soda’s products, Jones Soda actively seeks to have its products distributed through key retail grocery, convenience and mass merchandiser accounts, which are serviced through Jones Soda’s independent distributor network.

Product availability at a specific store location for any of Jones Soda’s named retailers is subject to the retailer preference, consumer demand, and localized store variances. Jones Soda’s accounts listing changes from time to time, as new retail accounts are added and others are canceled.

DTR (direct to retail)

Jones Soda’s direct to retail channel of distribution is an important part of its strategy to target large national or regional restaurant chains and retail accounts, including convenience store chains, mass merchandisers and premier food-service businesses. Through these programs, Jones

Soda negotiates directly with the retailer to carry its products, and the account is serviced through the retailer's appointed distribution system (rather than through Jones Soda's DSD network). These arrangements are terminable at any time by these retailers or Jones Soda, and contain no minimum purchase commitments or termination fees.

Co-Brand and Private Label

Jones Soda offers private label products directly to retailers. Jones Soda's expertise in innovation and managing the manufacturing process allow for efficiencies for both Jones Soda and the customer. Jones Soda is able to produce these products with minimal sell through risk and ship them through its network of independent trucking companies or a preferred partner of the customer.

Fountain Distribution

Jones Soda sells direct to certain retailers in addition to working with a network of fountain distributors in select focus regions within the United States and Canada to provide its products, including its fountain and slush products, and fountain equipment.

Sales

Jones Soda's products are sold throughout the United States and Canada, primarily in grocery stores, convenience and gas stores, on fountain in restaurants and "up and down the street" in independent accounts such as delicatessens, sandwich shops and burger restaurants as well as through Jones Soda's national accounts with several large retailers. In 2020, sales in the United States represented approximately 71% of Jones Soda's total sales, while sales in Canada represented approximately 28% of Jones Soda's total sales (primarily through its distributor relationship with Lassonde), and Jones Soda had approximately 1% of its total sales in other international sales.

Jones Soda Brand

Building the Jones Soda Brand

Jones Soda has built its brand to a large extent on its fun and independent image as well as by providing flavors that are intended to appeal to consumers who prefer alternatives to the corporate carbonated soft drink brands. This market is driven by young consumers looking for a distinctive tonality and better ingredients in their beverage choices. Jones Soda selects photos throughout the year to be placed on its bottles and cans for distribution, and also invites consumers to celebrate special occasions and memories by creating their own label through myJones.com. In that space, consumers have the ability to customize their own label and product with a photo and short caption using a proprietary patented process. In addition to creative labeling on its products, Jones Soda provides its distributors with point-of-sale promotional materials and branded apparel items. Jones Soda believes that its labeling, marketing and promotional materials are important elements to creating and increasing consumer appeal, as well as distributor and retailer awareness, and that its branding efforts have helped it achieve strong consumer connections and affinity levels for its products.

Brand Marketing

Jones Soda's marketing team has developed brand positioning and brand identity that it believe is an integral asset and allows its brand to be widely known in a positive way among a large demographic. Jones Soda also has a program of sponsoring alternative sport athletes to promote its products in youth alternative sports, including skateboarding, BMX biking, snowboarding and skiing. This includes the utilization of a fully branded Jones recreational vehicle with "The People's Craft Soda" stated on the side that has proven to attract attention and promote its brand. Jones Soda used this recreational vehicle in 2020 when skateboarder Tony Hawk partnered with it by taking a 10-day tour with his family that included stops at a bison ranch, various national parks, and multiple skateparks. Along the way, Tony Hawk created photo and video content showcasing his family's adventures that will be featured on both Hawk's and Jones Soda's social media channels. In addition, Jones Soda has a program of sponsoring up-and-coming musicians and artists. Jones Soda believes this effort to position its products in alternative accounts and venues helps draw a younger generation of customers that value their independence away from the larger soft drink brands.

Social Media

Jones Soda's core marketing pillar is the open access its consumers have to define the brand through its website Jonessoda.com. Jones Soda actively participates in social media campaigns as a way of direct engagement with its consumers in order to listen to their voices and better understand their issues and changes in consumer trends.

Consumer-Submitted Photos

Jones Soda is well-known for the photos on its labels. Jones Soda invites its consumers to send to it photos of their lives, and Jones Soda selects from those photos for use on its labels. Photos can be submitted under "Jones Soda Photo Gallery" on Jones Soda's website. Every Jones Soda glass bottle and can has a picture provided to it by a consumer.

Customized Photo Labels

Jones Soda also provides its customers, ranging from businesses to end consumers, customized and personalized 12-packs of Jones Soda (in bottles) that they can create with their own photos on the labels. The strategy of this program is to provide a customized and personalized product offering to its consumers as well as an innovative marketing opportunity for its Jones Soda brand. Consumers can upload their photos through its website and create their own "myJones" labels. The personalized labels are downloaded at Jones Soda's headquarters, applied to 12-packs of Jones Soda and delivered to the consumer.

Point of Sale and Consumer Awareness

Jones Soda uses point-of-sale materials such as posters, stickers, hats and T-shirts to create and increase consumer awareness of its proprietary products and brands. In response to consumer demand, Jones Soda also sells its products and its wearables on its website. In selected cities, Jones Soda participates at a "grassroots" level at certain community and sporting events in an attempt to create and increase brand awareness and loyalty. As noted above, Jones Soda uses

recreational vehicles, vans and independent distributor vehicles painted with the Jones Soda colors and logos to create consumer awareness and enthusiasm at these events and to assist distributors as they open new retail accounts and markets.

From time to time, Jones Soda partner with companies that will manufacture Jones Soda-related products that its feels extend and enhance its brand. Jones Soda currently has a licensing arrangement dated September 7, 2005 with Big Sky Brands, a third party to manufacture and distribute Jones Soda Flavor Booster hard candy. In addition to these marketing techniques, Jones Soda also pursues cross-promotional campaigns with other companies.

Events

In addition to all of the above marketing efforts, Jones Soda is also investing in various events that are in alignment with its brand demographic. Jones Soda invests in skateboarding events and partner with like-minded companies that it believes maintain a similar connection to its core demographic. At these events, Jones Soda is able to display its logo and participate in sampling activities where it encourages the tasting of its products to encourage purchases of its brand at retail establishments where its products are sold. Jones Soda anticipates investing in more of these events as is focuses on marketing efforts in support of its core brand, Jones Soda, subject to any ongoing restrictions that may be imposed by the COVID-19 pandemic.

Partnership with Young Audiences

Beginning in 2014, Jones Soda partnered with Young Audiences, one of the nation's largest arts-in-education networks, to launch the Jones Soda Photography Curriculum, which was created to teach children about the art of photography. Young Audiences' mission is to ensure arts remain an integral part of youth education, with the help of organizations such as Jones Soda. Jones Soda feels that it is a worthy cause directly aimed at supporting the children that make up its fan base. Customer-submitted photos are one of Jones Soda's key assets, and to utilize them in a way that we can give back to the community, is directly aligned with the brand's core values.

Brand and Product Development

Jones Soda understands the importance of creating new beverage products and enhancing its existing products to meet the ever-changing consumer taste profile. Jones Soda continues to expand its Jones Cane Sugar Fountain program that allows for its Jones Soda product line to be offered "on tap." Jones Soda partners with independent restaurants, grocery stores and companies such as 7-Eleven that that are focused on offering cane sugar fountain opportunities for their guests and Jones Soda utilizes a select group of fountain distributors such as J& J Snack Foods to service these retail customers.

Jones Soda's strategy is to focus on innovative products that will be accepted by consumers, retailers and distributors. Jones Soda believes this is accomplished by keeping open dialog directly with its consumers through its website, blogs and social media as well as with our retail and distributor partners to ensure it is current with consumer trends in the beverage industry.

Jones Soda develops the majority of its brands and products in-house. Jones Soda used a similar process initially to create the Jones Soda brand, and it intends to continue utilizing this process to create its future brands and products. This process primarily consists of the following steps:

- *Market Evaluation.* Jones Soda evaluates the strengths and weaknesses of certain categories and segments of the beverage industry with a view to pinpointing potential opportunities.
- *Financial Evaluation.* Jones Soda evaluates consumer price tolerance and sensitivity. All new products must be able to scale and meet strict margin requirements.
- *Distributor Evaluation.* Jones Soda analyzes existing and potential distribution channels, whether DSD, DTR or a blend of these channels. This analysis addresses, among other things, which companies will distribute particular beverage brands and products, where such companies may distribute such brands and products, and what will motivate these distributors to distribute such brands and products.
- *Production Evaluation.* Jones Soda reviews all aspects of production of its beverages, including contract packing capacity, strategic production locations, and quality control, and prepare a cost analysis of the various considerations that will be critical to producing its brands and products.
- *Image and Design.* Based on Jones Soda's evaluation of the market, distributors and production issues, Jones Soda creates and develop the concept for a beverage brand, product or product extension. Its technical services department then works with various flavor concentrate houses to test, choose and develop product flavors for the brand.

Jones Soda believes that the ongoing process of creating new brands, products and product extensions will be an important factor in its long-term success.

Jones Soda believes that in addition to creating new brands, it needs to continuously improve its core product line, Jones Soda as consumer tastes continue to change. Jones Soda intends that each new flavor of Jones Soda that it introduces will be made with less sugar and no artificial colors or flavors. In May 2019 Jones Soda introduced in the Canadian market a new watermelon flavor of Jones which had these characteristics. In addition, Jones Soda continues to re-formulate and re-introduce lower calorie content versions of each of its existing flavors of Jones Soda as and when it believes it has created an acceptable replacement that will appeal to existing customers and attract new customers.

In addition to the above extensions to the Jones Soda brand, in May 2015, Jones Soda created and launched a new brand with its own separate identity from the Jones Soda brand, Lemoncocco®. Jones Soda believes that Lemoncocco represents a new category in the non-carbonated beverage industry and that developing a separate all-natural beverage brand is an important opportunity for Jones Soda.

Competition

The beverage industry is highly competitive. Principal methods of competition in the beverage industry include:

- brand name and image;
- distribution;
- shelf-management;
- licensing;
- price;
- labeling and packaging;
- advertising;
- product quality and taste;
- trade and consumer promotions; and
- development of new brands, products and product extensions.

Jones Soda competes with other beverage companies not only for consumer acceptance but also for shelf space in retail accounts and for marketing focus by its distributors, all of whom also distribute other beverage brands. Jones Soda's products compete with all non-alcoholic beverages, most of which are marketed by companies with substantially greater financial resources than Jones Soda. Jones Soda also competes with regional beverage producers and "private label" soft drink suppliers. Jones Soda's direct competitors in the sparkling beverage industry include traditional large soft drink manufacturers and distributors and regional premium soft drink companies.

In order to compete effectively in the beverage industry, from time to time Jones Soda develops and introduces new products and product extensions, and when warranted, new brands. Lemoncocco, its premium non-carbonated beverage, is an example of a new product it introduced recently.

Although Jones Soda believes that it will be able to continue to create competitive and relevant brands and products to satisfy consumers' changing preferences, there can be no assurance that it will be able to do so or that other companies will not be more successful in this regard over the long term.

Pricing of the products is also important. Jones Soda believes that its products are priced in the same price range or higher than competitive brands and products, and compete on quality as they are premium product offerings.

Production

Contract Packing Arrangements

Jones Soda does not directly manufacture its products, but instead outsource the manufacturing process to third-party bottlers and independent contract manufacturers (co-packers). Jones Soda currently uses primary co-packers located in Canada and the United States, which include Delta Beverages and Alliance Labeling in Ontario, Canada, Excel Bottling in Breese, Illinois, Noel Canning in Yakima Washington, and Lion Brewery in Pennsylvania. Once the product is manufactured, the finished products are stored either at the co-packer's location or in nearby third-party warehouses. Other than minimum case volume requirements per production batch or "run" for most co-packers, Jones Soda does not have annual minimum production commitments with its co-packers. Jones Soda's co-packers may terminate their arrangements with Jones Soda at any time, in which case Jones Soda could experience disruptions in its ability to deliver products to its customers. Jones Soda continually reviews its contract packing needs in light of regulatory compliance and logistical requirements and may add or change co-packers based on those needs.

Raw Materials

The raw materials used in the manufacturing of Jones Soda's products consist primarily of concentrate, flavors, supplements, sugar, bottles, cans, labels, trays, caps and packaging. Substantially all of the raw materials used in the preparation, bottling and packaging of its bottle and can products are purchased by Jones Soda or by its contract manufacturers in accordance with our specifications. These raw materials are purchased from suppliers selected by Jones Soda or by our contract manufacturers. Jones Soda believes that it has adequate sources of raw materials, which are available from multiple suppliers.

Jones Soda purchases flavor concentrate from its suppliers. Generally, flavor concentrate suppliers own the proprietary rights to the flavors. Although Jones Soda does not have the list of ingredients or formulas for its flavors, Jones Soda does exclusive rights to the use of the flavor concentrates developed with our suppliers. In connection with the development of new products and flavors, independent suppliers bear a large portion of the expense for product development, thereby enabling Jones Soda to develop new products and flavors at relatively low cost. If Jones Soda has to replace a flavor supplier, it could experience disruptions in its ability to deliver products to its customers, which could have a material adverse effect on its results of operations.

The costs of raw materials fluctuate and in certain instances we enter into supply agreements to address these risks. Jones Soda has a three-year fixed price supply agreement with its primary glass supplier which expires at the end of 2022. The price of glass continues to increase each year due to the shortage of available glass in the industry; however, its supply agreement with its glass supplier provides it with some price protection.

Quality Control

Jones Soda products are made from high-quality ingredients and natural and artificial flavors. We seek to ensure that all of our products satisfy our high-quality standards. Contract manufacturers are selected and monitored by our quality control representatives in an effort to ensure adherence to our production procedures and quality standards.

For every batch or “run” of product, Jones Soda’s contract manufacturer undertakes extensive testing of product quality and packaging. This includes testing levels of sweetness, carbonation, taste, product integrity, packaging and various regulatory cross checks. Samples from each production run are analyzed and categorized in a reference library. For each product, the contract manufacturer must transmit all quality control test results to Jones Soda for reference following each production run.

Testing also includes microbiological checks and other tests to ensure the production facilities of Jones Soda’s third party manufacturers meet the standards and specifications of Jones Soda’s quality assurance program. Water quality is monitored during production and at scheduled testing times to ensure compliance with beverage industry standards. The water used to produce Jones Soda’s products is filtered and is also treated to reduce alkalinity. Flavors are pre-tested by the flavor concentrate supplier before shipment to contract manufacturers. Jones Soda is committed to ongoing product improvement with a view towards ensuring the high quality of its product through a stringent co-packer selection, training and communication program.

Regulation

The production and marketing of Jones Soda’s proprietary beverages are subject to the rules and regulations of various federal, provincial, state and local health agencies, including in particular Health Canada, Agriculture and Agri-Food Canada (AAFC) and the United States Food and Drug Administration (FDA). The FDA and AAFC also regulate labeling of Jones Soda’s products. From time to time, Jones Soda may receive notifications of various technical labeling or ingredient reviews with respect to its products. Jones Soda believes that it has a compliance program in place to ensure compliance with production, marketing and labeling regulations.

Legal requirements have been enacted in several jurisdictions in the United States and Canada requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other beverage container-related deposit, recycling, eco-tax and/or product stewardship proposals have been introduced in various jurisdictions in the United States and Canada. Jones Soda anticipates that similar legislation or regulations may be proposed in the future at local, state and federal levels, both in the United States and Canada.

Trademarks, Flavor Concentrate Trade Secrets and Patent Rights

Please see Section 4.1 – *Narrative Description of the Business – Intellectual Property*.

Seasonality

Jones Soda’s sales are seasonal and it experiences fluctuations in quarterly results as a result of many factors. Jones Soda historically has generated a greater percentage of its revenues during the warm weather months of April through September. Sales may fluctuate materially on a quarter to quarter basis or an annual basis when it launches a new product or fills the “pipeline” of a new distribution partner or a large retail partner. Sales results may also fluctuate based on the number of SKUs selected or removed by its distributors and retail partners through the normal course of serving consumers in the dynamic, trend-oriented beverage industry. As a result, management believes that period-to-period comparisons of results of operations are not

necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the fiscal year.

Employees

Jones Soda currently has 23 employees, all of which are full-time, one of which is located in Canada, eleven of which are employed in sales and marketing capacities, six are employed in administrative capacities and six are employed in customer service, manufacturing and quality control capacities. None of Jones Soda's employees are represented by labor unions.

Planned Cannabis Operations

Utilizing the funds received from the Convertible Debenture financing as well as from the planned Subscription Receipt Financing and the Contingent Convertible Debenture Financing, Jones Soda intends to develop, market and distribute cannabis-infused beverages, edibles and related products utilizing the "Jones Soda" brand name to complement its existing soda beverage business. Jones' management is currently exploring potential licensing agreements with potential manufacturers and distributors of Jones' planned cannabis products and is also considering pursuing possible strategic acquisitions of manufacturing and bottling companies that have the ability to manufacture premium cannabis infused products. Jones' Soda currently intends to operate its planned cannabis operations under one or more newly created subsidiaries that will be separate from its current soda beverage business. In November 2021, Jones Soda incorporated Jones Soda Cannabis Inc., as a wholly-owned subsidiary of Jones Soda. Jones Soda also hired in October a Chief Marketing Officer and is in the process building its cannabis team.

Pinestar

Pinestar did not operate any business prior to closing of the Transaction and does not operate any business currently.

In 2021, Pinestar completed the Subscription Receipt Financing. See Section 3 – *General Development of the Business – Section 3.1 - General Business – Jones Soda*.

Resulting Issuer - the Transaction

Prior to the listing on the CSE of the Resulting Issuer, Jones Soda completed the Transaction. The Acquisition of Pinestar has not been considered a significant acquisition with respect to Jones Soda.

Summary

On October 18, 2021 Jones Soda, and Pinestar entered into the Arrangement Agreement. Under the terms of the Arrangement Agreement, Jones Soda acquired 100% of the outstanding Pinestar Shares other than Pinestar Shares owned by Jones Soda at the time of Closing. Pinestar Shareholders received one Resulting Issuer Share for each post-Consolidation Pinestar Share and Pinestar Shareholders have become shareholders of Jones Soda. As a result of the acquisition of Pinestar, Jones Soda has become the sole registered owner of all of the outstanding Pinestar Shares.

Pursuant to the Arrangement Agreement, Pinestar Shareholders received one Resulting Issuer Share for each post-Consolidation Pinestar Share held at the closing of the Acquisition. Pursuant to the terms thereof, without action by the holder thereof, each Pinestar Warrant and Pinestar Sub Receipt Warrant was, upon the Effective Date, adjusted or exchanged to become a warrant to purchase Resulting Issuer Shares and the number of Resulting Issuer Shares and the exercise price were adjusted in accordance with the Exchange Ratio. Subject to the above, the terms and conditions of the Pinestar Warrants and Pinestar Sub Receipt Warrant in effect on the Effective Date continue to govern such Pinestar Warrants and Pinestar Sub Receipt Warrant, as applicable, following the Effective Date.

The Acquisition resulted in Jones Soda issuing an aggregate of 20,000,048 Resulting Issuer Shares to the Pinestar Shareholders, including 16,000,000 Resulting Issuer Shares issued to former holders of Subscription Receipts who received an aggregate of 16,000,000 post-Consolidation Pinestar Shares upon the Conversion of Subscription Receipts, which were then exchanged for Resulting Issuer Shares upon completion of the Transaction. In addition, on Closing, the Pinestar Warrants were adjusted to be exercisable for an aggregate of 1,674,808 Resulting Issuer Shares at an exercise price of C\$0.06 (of which 700,000 Pinestar Warrants were transferred to Pinestar), and the 16,000,000 Pinestar Sub Receipt Warrants granted to former holders of Subscription Receipts upon the Conversion of Subscription Receipts were exchanged for Jones Special Warrants exercisable for an aggregate of 16,000,000 Resulting Issuer Shares at an exercise price of US\$0.625 per share. In connection with the completion of the Acquisition, the Convertible Debenture automatically converted into an aggregate of 4,025,035 Resulting Issuer Shares and 4,025,035 Jones Special Warrants, exercisable for an aggregate of 4,025,035 Resulting Issuer Shares, provided that the exercise of the Jones Special Warrants are conditional upon Jones Soda increasing its authorized capital to an amount to cover the Jones Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda. The increase of the Jones Soda authorized capital has not occurred as at the date of this Listing Statement and accordingly, the Jones Special Warrants are not exercisable as at the date of this Listing Statement.

The description of the Arrangement Agreement in this Listing Statement, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Arrangement Agreement, which is available on Jones Soda's SEDAR profile available at www.sedar.com, the SEC's EDGAR Database at www.sec.gov and on Jones Soda's website at www.jonessoda.com and which is incorporated by reference herein.

Financings

Convertible Debenture Financing

On July 14, 2021, Jones Soda issued the US\$2,000,000 Convertible Debenture to SOL Verano Blocker 1 LLC that is convertible into units of Jones at a conversion price of US\$0.50 per unit (the "**Debenture Conversion Price**"). Pursuant to the terms of the Convertible Debenture, at the closing of the Transaction, the entire principal amount of the Convertible Debenture and all accrued interest thereon automatically converted into units of Jones Soda, with each unit consisting of one Jones Soda Share and one Jones Special Warrant, at the Debenture Conversion

Price. Each Jones Special Warrant is exercisable into one Jones Soda Share at a price of US\$0.625 per Jones Soda Share for a period of 24 months from the date of issuance, conditional upon Jones Soda increasing its authorized capital to an amount to cover the Jones Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda. The increase of the Jones Soda authorized capital has not occurred as at the date of this Listing Statement and accordingly, the Jones Special Warrants are not exercisable as at the date of this Listing Statement.

The issuance of the Convertible Debenture was exempt from registration under the U.S. Securities Act pursuant to Section 4(a)(2) of the U.S. Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

In connection with the issuance of the Convertible Debenture, Jones Soda also signed on July 14, 2021, a registration rights agreement with SOL Verano Blocker 1 LLC (the “**Convertible Debenture Registration Rights Agreement**”). Pursuant to the terms of the Convertible Debenture Registration Rights Agreement, the Company is required to file a registration statement with the SEC within 30 days from the conversion of the Convertible Debenture that registers for resale the Jones Soda Shares issued upon the conversion of the Convertible Debenture as well as the Jones Soda Shares issuable upon the exercise of the Jones Special Warrants issued in connection with the conversion of the Convertible Debenture. The failure on the part of Jones Soda to file the registration statement with the SEC within this timeframe may subject Jones Soda to payment of certain monetary penalties.

Subscription Receipt Financing

Pinestar conducted a non-brokered private placement of Subscription Receipts at a price of US\$0.50 per Subscription Receipt, for gross proceeds of US\$8,000,000. Each Subscription Receipt entitled the holder, upon the occurrence of the applicable escrow release conditions, to receive, without payment of additional consideration or taking of further action, one post-Consolidation Pinestar Share and one Pinestar Sub Receipt Warrant upon the satisfaction of certain escrow conditions related to the Acquisition, prior to the Effective Time.

Each such Pinestar Share was exchanged in accordance with the terms of the Arrangement Agreement at an exchange ratio of one Resulting Issuer Share for each post-Consolidation Pinestar Share. Each such Pinestar Sub Receipt Warrant was exchanged in accordance with the terms of the Arrangement Agreement based on the same exchange ratio into Jones Special Warrants.

Contingent Convertible Debenture Financing

On February 9, 2022, Jones Soda issued \$3,000,000 in aggregate principal amount of Contingent Convertible Debentures. Each Contingent Convertible Debenture is convertible into units of Jones Soda at a US\$0.50 price per unit (with each such unit consisting one Jones Soda Share and one Jones Special Warrant) only upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures as well as all of the other then outstanding convertible/exercisable securities of Jones

Soda. The increase of the Jones Soda has not occurred as at the date of this Listing Statement and accordingly, the Contingent Convertible Debentures have not been converted.

The issuance of the Contingent Convertible Debentures was exempt from registration under the U.S. Securities Act pursuant to Section 4(a)(2) of the U.S. Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

In connection with the issuance of the Contingent Convertible Debenture, Jones Soda also signed on February 9, 2022, a registration rights agreement with each of the purchasers of the Contingent Convertible Debentures (the “**Contingent Convertible Debenture Registration Rights Agreement**”). Pursuant to the terms of the Contingent Convertible Debenture Registration Rights Agreement, the Company is required to file a registration statement with the SEC within 30 days from the conversion of the Contingent Convertible Debentures that registers for resale the Jones Soda Shares issued upon the conversion of the Contingent Convertible Debentures as well as the Jones Soda Shares issuable upon the exercise of the Jones Special Warrants issued in connection with the conversion of the Contingent Convertible Debentures. The failure on the part of Jones Soda to file the registration statement with the SEC within this timeframe may subject Jones Soda to payment of certain monetary penalties.

Consolidation

Prior to Closing, Pinestar consolidated its issued and outstanding share capital at a ratio of 10.031 pre-Consolidation Pinestar Shares for one post-Consolidation Pinestar Share such that it had 4,000,048 post-Consolidation Pinestar Shares upon completion of the Consolidation. The Jones Soda Shares issued in connection with the Transaction were issued in exchange for post-Consolidation Pinestar Shares.

The Resulting Issuer

Following the completion of the Transaction, Pinestar became a wholly-owned subsidiary of the Resulting Issuer. The former Pinestar Shareholders own as of closing of the Transaction approximately 21.77% of the Resulting Issuer Shares, including the 17.42% of the Resulting Issuer Shares held by former holders of Subscription Receipts who received post-Consolidation Pinestar Shares upon the Conversion of Subscription Receipts, which were then exchanged for Resulting Issuer Shares upon completion of the Transaction, the former holder of the Convertible Debenture own approximately 18.74% of the Resulting Issuer Shares (including Resulting Issuer Shares held at the time of the conversion of the Convertible Debenture), and previous Jones Soda Shareholders hold approximately 73.85% of the Resulting Issuer Shares.

Following completion of the Transaction, 91,866,054 Resulting Issuer Shares are outstanding, without giving effect to the outstanding Pinestar Warrants that have been adjusted to be exercisable for an aggregate of 1,674,808 Resulting Issuer Shares (of which 700,000 Pinestar Warrants were transferred to Pinestar) and the 20,025,035 Jones Special Warrants exercisable for an aggregate of 20,025,035 Resulting Issuer Shares issued upon exchange for the Pinestar Sub Receipt Warrants. See Section 14.2 – “*Convertible/Exchangeable Securities*”.

The Resulting Issuer will be engaged in the business of Jones Soda as described in this Listing Statement. See “*Narrative Description of the Business – Jones Soda*”.

The board of directors of the Resulting Issuer is comprised of the following six members, being Jamie Colbourne, Mark Murray, Clive Sirkin, Paul Norman, Alex Spiro and Chad Bronstein.

The officers of the Resulting Issuer are as follows:

<u>Name</u>	<u>Office</u>
Mark Murray	President and Chief Executive Officer
Jamie Colbourne	Interim Chief Financial Officer
Eric Chastain	Chief Operational Officer
Joe Culp	Controller

3.2 Significant Acquisitions and Dispositions

Jones Soda

Jones Soda did not complete any significant acquisitions or dispositions during the current financial year.

Pinestar

Pinestar did not complete any significant acquisitions or dispositions during the current financial year.

3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are (i) the changing legal and regulatory regime which regulates the production and sale of cannabis and cannabis related product; (ii) the ability of companies who may receive funds from the sale of cannabis and cannabis related products to adequately track and legally transfer such funds; and (iii) the ability of companies to raise adequate capital to carry out their business objectives. See Section 17 - *Risk Factors*.

Regulatory Overview

Jones Soda's Current Business

The production and marketing of our proprietary beverages are subject to the rules and regulations of various federal, provincial, state and local health agencies, including in particular the AAFC in Canada and the FDA in the United States. The FDA and AAFC also regulate labeling of Jones Soda's products. From time to time, Jones Soda may receive notifications of various technical labeling or ingredient reviews with respect to its products. Jones Soda believes that it has a compliance program in place to ensure compliance with production, marketing and labeling regulations.

Legal requirements have been enacted in several jurisdictions in the United States and Canada requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures

vary. Other beverage container-related deposit, recycling, eco-tax and/or product stewardship proposals have been introduced in various jurisdictions in the United States and Canada. We anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels, both in the United States and Canada.

Cannabis Regulations

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), as published on October 16, 2017 and as revised on February 8, 2018, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352, followed by a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where Jones Soda has operations. In accordance with Staff Notice 51-352, Jones Soda will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

Table of Concordance

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Section 3 – General Development of the Business on page 18</i> <i>Section 4 – Narrative Description of the Business on page 39</i> <i>Section 4 – Market Overview on page 42</i> <i>Section 4 – Summary of the Resulting Issuer’s U.S. Cannabis Activity on page 45</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>Cover Page (disclosure in bold typeface)</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<i>Section 3.3 - Regulatory Overview – U.S. Federal Law Overview on page 32</i> <i>Section 3.3 – Regulatory Overview – Enforcement of Federal Laws on page 32</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<i>Section 17 – Risk Factors – Risks Specifically Related to the United States on pages 75, 78, 82, 93 to 97 and 100 to 104</i>
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	<p><i>Section 17 – Risk Factors – Ongoing Costs and Obligations on page 71</i></p> <p><i>Section 17 – Risk Factors – Product Liability on page 98</i></p> <p><i>Section 17 – Risk Factors – Product Recalls on pages 91, 98 and 99</i></p> <p><i>Section 17 – Risk Factors – Financial Projections May Prove Materially Inaccurate or Incorrect on page 76</i></p> <p><i>Section 17 – Risk Factors – Changes in Laws, Regulations and Guidelines on page 100</i></p> <p><i>Section 17 – Risk Factors – Constraints on Marketing Products on page 101</i></p> <p><i>Section 17 – Risk Factors – Reliance on Third-Party Suppliers, Manufacturers and Contractors on page 76</i></p> <p><i>Section 17 – Risk Factors – Environmental Risk and Regulation on page 83</i></p> <p><i>Section 17 – Risk Factors – Risks Specifically Related to the United States on pages 75, 78, 82, 93 to 97 and 100 to 104</i></p>
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	<p><i>Section 4 – Narrative Description of the Business – Total Funds Available on page 43</i></p> <p><i>Section 4 – Narrative Description of the Business – Ability to Access Public and Private Capital on page 44</i></p> <p><i>Section 17 – Risk Factors – Negative Impact of Regulatory Scrutiny on Raising Capital on page 102 and 103</i></p>
	Quantify the issuer’s balance sheet and operating statement exposure to	<i>Section 4 – Narrative Description of Business – Summary of Jones</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	U.S. marijuana-related activities.	<i>Soda's U.S. Cannabis Activity on page 45</i>
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	[Legal advice has not been obtained.]
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	[N/A]
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	[N/A]
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	[N/A]
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's license, business activities or operations.	[N/A]
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable	<i>Section 4 – Narrative Description of Business – Summary of the Jones Soda's U.S. Cannabis Activity on</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	page 45

United States Federal Overview

General

Although certain states have legalized either medical marijuana or medical and adult use cannabis, at the federal level, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970 (21 U.S.C. §§ 811 *et seq.*). Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government’s approach to enforcement of such laws has trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice (“**DOJ**”) issued a memorandum known as the “**Cole Memorandum**” to all U.S. Attorneys’ offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ’s guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the “**Sessions Memorandum.**” The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was “unnecessary” due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney’s Manual (the “**USAM**”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government’s limited resources, and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the

“deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute marijuana-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide “crackdown” have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a regulatory and enforcement perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the “**FinCEN Memorandum**”) outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a “suspicious activity report” (“**SAR**”) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the “**2014 Cole Memo**”) directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo

has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of Federal Laws

For the reasons set forth above, Jones Soda's existing operations in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, Jones Soda may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Jones Soda's ability to operate in the United States or any other jurisdiction. See Section 17 - "*Risk Factors*".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which Jones Soda could expand. Any inability to fully implement Jones Soda's expansion strategy may have a material adverse effect on Jones Soda's business, financial condition and results of operations. See Section 17 - "*Risk Factors*".

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Jones Soda, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for Jones Soda to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See Section 17 - "*Risk Factors*".

Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, the United States Congress has repeatedly enacted legislation to protect the medical marijuana industry from prosecution. The United States Congress has passed appropriations bills each of the last three

years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016, which by its terms does not appropriate any federal funds to the U.S. DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with State medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (the “**Leahy Amendment**”) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a series of short-term spending bills signed on September 28, 2018, December 7, 2018, January 25, 2019 and February 8, 2019. On February 15 the amendment was renewed through the signing of the fiscal year 2019 omnibus spending bill, effective through September 30, 2019. On May 16, 2019, a House subcommittee released a base appropriations bill with the amendment included. On September 26, 2019 the Senate Appropriations Committee approved a base appropriations bill with the amendment included. On September 27, 2019 the amendment was renewed through a stopgap spending bill, and again on November 21, 2019. On December 20, 2019 the amendment was renewed through the signing of the fiscal year 2020 omnibus spending bill, effective through September 30, 2020. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. The amendment was then renewed through a series of stopgap spending bills on October 1, 2020 December 11, 2020 December 18, 2020 December 20, 2020 and December 22, 2020. On December 27, 2020, the amendment was renewed through the signing of the fiscal year 2021 omnibus spending bill, effective through September 30, 2021, at which time the United States Congress must either pass an omnibus appropriations bill for fiscal year 2022 or pass another short-term spending bill, or it will face another shutdown of the federal government, at which time the Leahy Amendment would no longer be in effect. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Narrative Description of the Business

Jones Soda

Overview of Business

Jones Soda develops, produces, markets and distributes beverages that it sells and distributes primarily in all of the states in the United States, except for Connecticut and Hawaii and all of the Provinces of Canada through its network of independent distributors and directly to its national and regional retail accounts. Jones Soda also sells products in the following select international markets: Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Jersey, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom and Australia. Jones Soda’s products are sold in grocery stores, convenience and gas stores, on fountain in restaurants, “up and down the street” in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through larger retailers such as Walmart, Kroger, 7-Eleven (Canada and United States), Albertsons/Safeway, Meijer, Cost Plus,

Cub Foods, Webstaurant/Clarke Foods, and Costco. Jones Soda refers to its network of independent distributors as Jones Soda's DSD channel, and to its national and regional accounts who receive shipments directly from Jones Soda as its DTR channel. Jones Soda does not directly manufacture our products, but instead outsource the manufacturing process to third-party contract manufacturers including Delta Beverages and Alliance Labeling in Ontario, Canada, Excel Bottling in Breese, Illinois, Noel Canning in Yakima Washington, and Lion Brewery in Pennsylvania. Jones Soda also sells various products online, including soda with customized labels, wearables, candy and other items, and it licenses its trademarks for use on products sold by other manufacturers.

Utilizing the funds received from the Convertible Debenture financing as well as from the planned Subscription Receipt Financing and Contingent Convertible Debenture Offering, Jones Soda intends to develop, market and distribute cannabis-infused beverages, edibles and related products. Jones' management is currently exploring potential licensing agreements with potential manufacturers and distributors of Jones' planned cannabis products and is also considering pursuing possible strategic acquisitions of manufacturing and bottling companies that have the ability to manufacture cannabis infused products.

Offices

Jones Soda's principal executive and administrative office is located at: 66 S Hanford St #150, Seattle, WA 98134.

Principal Products or Services

Jones Soda's current product line-up currently consists of the following:

Jones Soda

Jones Soda is a carbonated soft drink. Jones Soda Co. sells Jones Soda in glass bottles and cans, with every label featuring a photo sent to Jones Soda Co. by its consumers. Jones Soda Co. also sell Jones Soda on fountain, utilizing consumer photos on the fountain equipment and cups. Additionally, Jones Soda has released various label campaigns that are intended to celebrate Jones Soda's consumers; for example in June 2020, Jones Soda released its "Messages of Hope" labels that attempts to convey the spirit of resilience that has emerged during the COVID-19 pandemic, featuring photographs such as a rainbow mural thanking essential workers and chalk art proclaiming that "We're All In This Together." Equally differentiating are the distinctive names of Jones Soda's products such as FuFu Berry, and the fact that its products are made from pure cane sugar and natural colors and flavors when possible. Jones Soda Co. also sells Jones Soda in more traditional flavors such as Cream Soda, Root Beer and Orange & Cream.

Fountain

Drawing inspiration from our traditional bottles, Jones Soda's fountain equipment and cups are branded with an engaging collage of consumer-submitted photos that are inspired by the business themes of our retail partners and the regions in which they are located. These regions include: Washington, Oregon, California, Nevada, Illinois, Iowa, New York, New Jersey, Pennsylvania, Texas, Florida, Georgia, North Carolina, South Carolina, and each of the Provinces of Canada.

Jones Soda's fountain offerings include traditional flavors such as Cane Sugar Cola, Sugar Free Cola, as well as cane sugar sweetened Ginger Ale, Orange & Cream, Root Beer and Lemon Lime. Rounding out the lineup are two of its most popular cane sugar flavors, Berry Lemonade and Green Apple. Jones Soda has developed other products in select markets that include teas, lemonade, vitamin enhanced waters, hydration beverages, as well as naturally flavored sparkling waters.

Jones Soda continues to see growing interest from larger quick service restaurants, corporate accounts, retailers, celebrity chefs and a variety of other outlets looking for differentiated offerings in their fountain soda. In May 2019, Jones Soda secured a 17 location pizzeria chain called Zeeks Pizza in Western Washington, which it believes reflects its ability to appeal to larger sized quick service restaurant chains.

Lemoncocco

Jones Soda officially launched Lemoncocco® in May 2015. Lemoncocco represents an entirely new beverage category that was inspired by the distinctive refreshment stands found along the streets of Rome, Italy. Lemoncocco is a non-carbonated, naturally flavored beverage with the extracts of Sicilian lemons and a splash of coconut cream. Lemoncocco is lightly sweetened with a touch of cane sugar and only 90 calories per 12-ounce serving. Lemoncocco was designed to be on trend, beautifully bold in design and yield a higher gross profit margin than Jones Soda's current bottle product offerings upon achieving a certain threshold of sales.

Co-Brand and Private Label Products

From time to time, when opportunities meet Jones Soda's required financial and operational metrics, it utilizes its industry expertise to provide private label products for customers.

Intellectual Property

In the United States, Jones Soda owns a number of trademark registrations (designated by the ® symbol) and pending trademark applications (designated by the ™ symbol) for use in connection with its products, including "JONES®," "JONES SODA CO.®" and "LEMONCOCCO ®".

In general, trademark registrations expire 10 years from the filing date or registration date, with the exception in Canada, where trademark registrations expire 15 years from the registration date. All trademark registrations may be renewed for a nominal fee.

Although Jones Soda's flavor concentrate suppliers generally own the proprietary rights to the flavors, Jones Soda has the exclusive rights to our flavor concentrates developed with its current flavor concentrate suppliers, which it protects as trade secrets. Jones Soda will continue to take appropriate measures to maintain the secrecy and proprietary nature of its flavor concentrates.

Branding and Marketing

Please see Section 3 - *General Development of the Business – General Business – Jones Soda - Jones Soda Brand.*

Market Overview

Please see Section 3 - *General Development of the Business – General Business – Jones Soda - Competition*.

Pinestar

Pinestar does not currently operate any business.

The Resulting Issuer

The Resulting Issuer's business is the same as the business of Jones Soda prior to completion of the Transaction. See "*Narrative Description of the Business – Jones Soda*".

(a) **Business Objectives**

The Resulting Issuer expects to accomplish the following business objectives over the 12 month period following the completion of the Transaction:

- Develop and launch up to six different flavors of cannabis infused beverages, edibles, vapes and pre-rolls;
- Develop and launch a new psychedelic beverage;
- Develop and launch soft gummies and hard candy product lines; and
- Develop and launch a new "after dark" beverage.

The Resulting Issuer's main sources of revenue are expected to be from:

- Jones Soda's current soft drink business; and
- Jones Soda's new Cannabis operations

(b) **Significant Events Milestones**

While there is no particular significant event or milestone that must occur for the Issuer's business objectives to be accomplished, the Resulting Issuer will aim to achieve the following significant milestones in connection with the development of the Resulting Issuer's business:

Milestone	Anticipated Cost	Timeline from date of Listing Statement
Development and Launch Cannabis Products including six flavors of beverages, edibles, vapes and flavored pre-rolls.	US\$3,800,000	Between January 1 and March 31, 2022
Development and Launch Jones After Dark Soda	US\$800,000	Between January 1 and March 31, 2022.

Milestone	Anticipated Cost	Timeline from date of Listing Statement
Development and Launch of Jones flavored Psychedelic Beverage	US\$1,500,000	Between January 1 and March 31, 2022.
Development and Launch of Jones Soft Gummies	US\$700,000	Between January 1 and March 31, 2022.
Development and Launch of Jones Hard Candy	US\$200,000	Between January 1 and March 31, 2022.

Other than as described in this Listing Statement, there are no other significant events or milestones that must occur for the Resulting Issuer's business objectives to be accomplished. However, there is no guarantee that the Resulting Issuer will meet its business objectives or milestones described above within the specific time periods, within the estimated costs or at all. The Resulting Issuer may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described above.

(c) Total Funds Available

As of September 30, 2021, Jones Soda had positive working capital of approximately US\$7,284,000 and Pinestar had positive working capital of C\$50,639. The following table represents the available funds (in United States dollars) of the Resulting Issuer and the principal purpose of those funds over a 12-month period:

Source	Funds Available
Working Capitals of Jones Soda and Pinestar as of September 30, 2021	US\$7,323,958 ⁽¹⁾
Proceeds from Subscription Receipt Financing	US\$8,000,000
Proceeds from Contingent Convertible Debenture Financing	US\$3,000,000
Available Funds of the Resulting Issuer⁽¹⁾	US\$18,363,916
Expenses related to the completion of the Transaction	US\$800,000
Business Development and Marketing	US\$4,000,000
Investor Relations, Conference, Tradeshows and Travel	US\$100,000
Acquisitions	US\$5,000,000
General and administrative costs estimated for operating 12 months	US\$2,838,864 ⁽²⁾
Total Unallocated	US\$5,625,052

Note:

- (1) Calculated by converting Pinestar's working capital of C\$50,639 into United States dollars at an exchange rate of C\$1 = US\$0.78907914.
- (2) This includes insurance (\$299,171.04), legal and accounting (\$306,877.46), miscellaneous (\$712,206.95), rent and utilities (\$215,751.00) and wages, taxes and benefits (\$1,304,857.55).

There may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Resulting Issuer spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified below, and will depend on a number of factors, including those referred to under Section 17 - *Risk Factors*. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

Ability to Access Public and Private Capital

Jones Soda has historically, and we believe will continue to have, adequate access to equity from prospectus exempt (private placement) markets in Canada. While the Resulting Issuer may not be able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it plans to (i) continue to access equity financing through private markets, and (ii) access equity financing through public markets in Canada. Further, the Resulting Issuer's executive team and board also have extensive relationships with sources of private capital (such as high net worth individuals), that could be investigated at a higher cost of capital. Current proceeds from the Resulting Issuer's financings will be used to finance the continued growth of the Resulting Issuer's business. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed wholly or partially with debt, which may increase the Resulting Issuer's debt levels above industry standards, or through the issuance of shares which will be dilutive to the current shareholders.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Resulting Issuer's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See Section 17 – "*Risk Factors*".

(d) Employees

The Resulting Issuer's staff consists of approximately 23 people including full and part time employees and consultants.

The Resulting Issuer's business requires specialized skills and knowledge of the premium beverage market and cannabis industry. Management of the Resulting Issuer is composed of certain individuals who have extensive expertise in these industries and are complemented by the board of directors of the Resulting Issuer (see Section 13.11 – *Management*). The Resulting Issuer's future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified technical and management personnel, for whom competition is intense.

(e) Competitive Conditions and Position

General

Premium Beverage Industry

The beverage industry is highly competitive. Principal methods of competition in the beverage industry include:

- brand name and image;

- distribution;
- shelf-management;
- licensing;
- price;
- labeling and packaging;
- advertising;
- product quality and taste;
- trade and consumer promotions; and
- development of new brands, products and product extensions.

The Resulting Issuer will compete with other beverage companies not only for consumer acceptance but also for shelf space in retail accounts and for marketing focus by its distributors, all of whom also distribute other beverage brands. The Resulting Issuer's products will compete with all non-alcoholic beverages, most of which will be marketed by companies with substantially greater financial resources than the Resulting Issuer. The Resulting Issuer will also compete with regional beverage producers and "private label" soft drink suppliers. The Resulting Issuer's direct competitors in the sparkling beverage industry will include traditional large soft drink manufacturers and distributors and regional premium soft drink companies.

In order to compete effectively in the beverage industry, the Resulting Issuer may develop from time to time new products and product extensions, and when warranted, new brands. Lemoncocco, its premium non-carbonated beverage, is an example of a new product the Resulting Issuer introduced recently.

Pricing of the products is also important. The Resulting Issuer will attempt to price its products in the same price range or higher than competitive brands and products, and compete on quality as the Resulting Issuers products are premium product offerings.

Cannabis Industry

In addition, there is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and longer history of the production and marketing of cannabis than the Resulting Issuer.

Competitors are primarily branded and private label cannabis companies who are operating in multiple states. The Resulting Issuer considers itself in direct competition with Keef Brands, Cann Social Tonics, and Tonik Beverages, none of which are national consumer packaged goods brands in the United States. The Resulting Issuer is confident that its cannabis products will be highly competitive. The Resulting Issuer intends to seek a competitive advantage by applying its

brand name recognition to its planned cannabis products and by offering quality cannabis products to its loyal customer base.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer also expects to face additional competition from new entrants. If the number of users of medical and recreational cannabis increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

To remain competitive, the Resulting Issuer will require a continued high level of investment in its licenses, branding, products and technologies, distribution, research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain its marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Resulting Issuer.

See also Section 177 – “*Risk Factors – Competition*”.

(f) Lending and Investment Policies and Restrictions

None. Jones Soda does not have any lending operations.

(g) Bankruptcy and Receivership

Not applicable.

(h) Material Restructuring

See Section 3.1 *General Business – Resulting Issuer – the Transaction*.

(i) Social or Environmental Policies

None. Jones Soda has not implemented any social or environmental policies that are fundamental to Jones Soda’s operations.

4.2 Asset Backed Securities

The Resulting Issuer does not have asset backed securities.

4.3 Companies with Mineral Projects

The Resulting Issuer will not have any mineral projects.

4.4 Companies with Oil and Gas Operations

The Resulting Issuer does not have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

Jones Soda

The following table summarizes financial information of Jones Soda for the last two completed financial years ended December 31, 2020 and 2019 and the nine-month period ended September 30, 2021, which have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) as issued by the Financial Accounting Standards Board. All amounts are expressed in United States dollars, unless otherwise stated. This summary financial information should only be read in conjunction with the Jones Soda Annual Financial Statements and the Jones Soda Interim Financial Statements, including the notes thereto. See Section 25 – *Financial Statements*.

	For the nine-month period ended	For the Year Ended December 31,	
Operating Data:	September 30, 2021	2020	2019
Total revenues	11,880,000	11,895,000	11,508,000
Cost of Good Sold	8,255,000	9,216,000	9,125,000
Operating Expenses	3,625,000	5,507,000	4,735,000
Total income (loss) from operations	(626,000)	(2,828,000)	(2,352,000)
Net income (loss)	(469,000)	(2,997,000)	(2,749,000)
Net income (loss) per share - basic	(0.01)	(0.05)	(0.05)
Net income (loss) per share - diluted	(0.01)	(0.05)	(0.05)
Balance Sheet Data:			
Total assets	11,052,000	9,053,000	9,852,000
Total long-term liabilities	2,056,000	2,188,000	1,480,000
Cash dividends declared per share	-	-	-

Note:

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

Copies of the Jones Soda Annual Financial Statements are attached to this Listing Statement as Schedule “D”.

Pinestar

The following table summarizes financial information of Pinestar for the completed financial year ended March 31, 2021, 2020 and 2019 and the six-month period ended September 30, 2021. This summary financial information should only be read in conjunction with the Pinestar Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All

amounts are expressed in Canadian dollars, unless otherwise stated. See Section 25 – *Financial Statements*.

	For the six month period ended	For the Year Ended March 31,		
	September 30, 2021	2021	2020	2019
Operating Data:				
Total revenues	-	-	-	-
Total income from continuing operations	-	-	-	-
Income from continuing operations per share	-	-	-	-
Total expenses	86,019	55,642	8,500	-
Net loss from operations	86,019	55,642	8,500	-
Basic and diluted loss per share ⁽¹⁾	0.02	0.02	0.00	0.00
Balance Sheet Data:				
Total assets	102,654	80,239	-	-
Total long-term liabilities	131,583	131,583	131,583	131,583
Cash dividends declared per share	-	-	-	-

Note:

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

5.2 Quarterly Information

The summary of quarterly results for each of the eight most recently completed quarters preceding the date of this Listing Statement:

Jones Soda

Summary of quarterly results	Q3 2021 US\$	Q2 2021 US\$	Q1 2021 US \$	Q4 2020 US \$	Q3 2020 US \$	Q2 2020 US \$	Q1 2020 US \$	Q4 2019 US \$
Total revenues	4,565	4,458,000	2,857,000	2,464,000	3,541,000	3,098,000	2,792,000	2,163,000
Income (loss) from operations	14,000	9,000	(649,000)	(858,000)	(394,000)	(697,000)	(879,000)	(873,000)
Basic and diluted income	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)

Note:

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

Copies of the respective unaudited interim financial statements for the periods listed above for Jones Soda are attached to this Listing Statement as Schedule “E”.

Pinestar

Summary of quarterly results	Q2 2021 C\$	Q1 2021 C\$	Q4 2020 C\$	Q3 2020 C\$	Q2 2020 C\$	Q1 2020 C\$	Q4 2019 C\$	Q3 2019 C\$
Total revenues	-	-	-	-	-	-	-	-
Net loss from operations	43,390	42,629	8,500	12,838	2,250	2,250	-	-
Basic and diluted loss per share (1)	0.01	0.00	0.01	0.00	0.00	0.00	0.00	-

Note:

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

Copies of the respective unaudited interim financial statements for the periods listed above for Pinestar are attached to this Listing Statement as Schedule “B”.

5.3 Dividends

Jones Soda

Other than the terms of the note purchase agreement dated March 23, 2018 between Jones and certain purchasers of Jones Soda’s convertible subordinated promissory notes (the “**Subordinated Notes**”) which requires the prior written consent of the holders of not less than a majority-in-interest of the principal amount of the Subordinated Notes in order for Jones to be able to pay any cash dividend, Jones Soda does not have any restrictions that could prevent it from paying dividends.

Jones Soda does not intend to pay dividends on any shares of its common stock in the near future.

5.4 Foreign GAAP

The Jones Soda Annual Financial Statements and the Jones Soda Interim Financial Statements have been prepared in accordance with GAAP as issued by the Financial Accounting Standards Board. All amounts are expressed in United States dollars, unless otherwise stated.

6. MANAGEMENT’S DISCUSSION AND ANALYSIS

Jones Soda

A copy of the Jones Soda Annual MD&A related to the Jones Soda Annual Financial Statements and a copy of the Jones Soda Interim MD&A related to the Jones Soda Interim Financial Statements are attached to this Listing Statement as Schedule “F”.

The Jones Soda Annual MD&A should be read in conjunction with the audited financial statements and the notes thereto for the years ended December 31, 2020. The Jones Soda Annual Financial Statements set out in Schedule “D” have been prepared in accordance with GAAP. All amounts are expressed in United States dollars, unless otherwise stated.

The Jones Soda Interim MD&A should be read in conjunction with the unaudited interim financial statements and the notes thereto for the three-month and nine-month periods ended September 30, 2021. The Jones Soda Interim Financial Statements set out in Schedule “E” have been prepared in accordance with GAAP applicable to the preparation of interim financial statements. The significant accounting policies are the same as those applied in Jones Soda’s annual financial statements as at and for the year ended December 31, 2020 and 2019. All amounts are expressed in United States dollars, unless otherwise stated.

Pinestar

A copy of the Pinestar’s MD&A for the years ended March 31, 2020 and 2019 (the “**Pinestar Annual MD&A**”) and for the three-month and six-month periods ended September 30, 2021 (the “**Pinestar Interim MD&A**”) are attached to this Listing Statement as Schedule “C”.

The Pinestar Annual MD&A should be read in conjunction with the audited financial statements and the notes thereto for the year ended March 31, 2020. The Pinestar Annual Financial Statements set out in Schedule “A” have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. All amounts are expressed in Canadian dollars, unless otherwise stated.

The Pinestar Interim MD&A should be read in conjunction with the unaudited interim financial statements and the notes thereto for the three-month and six-month periods ended September 30, 2021. The Pinestar Interim Financial Statements set out in Schedule “B” have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The significant accounting policies are the same as those applied in Pinestar’s annual financial statements as at and for the year ended March 31, 2021. All amounts are expressed in Canadian dollars, unless otherwise stated.

7. MARKET FOR SECURITIES

The Resulting Issuer is a reporting issuer in British Columbia and Alberta upon closing of the Acquisition on February 15, 2022. The Resulting Issuer Shares are listed and posted for trading on the CSE under the trading name “JSDA” and are currently quoted for trading on the OTCQB Venture Marketplace operated by the OTC Markets Group.

8. CONSOLIDATED CAPITALIZATION

8.1 Consolidated Capitalization

Consolidated Capitalization

The following table summarizes the Resulting Issuer’s consolidated common shares after giving effect to the Transaction.

Designation of Security	Amount Authorized	Anticipated Shares Outstanding (as of the effective date of the Transaction)
Common Shares	100,000,000	91,866,054

There has been no material change in the share or loan capital of Jones Soda since the date of Jones Soda's financial statements for its most recently completed financial period other than the completion of the Transaction and on February 15, 2022, Jones Soda completed a non-brokered private placement and issued US\$3,000,000 in aggregate principal amount of Contingent Convertible Debentures.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Transaction:

	Anticipated Shares Outstanding (as of the effective date of the Transaction)
Jones Soda Shares issued and outstanding	67,840,971
Resulting Issuer Shares issued to Pinestar Shareholders pursuant to the Acquisition	20,000,048
Resulting Issuer Shares issued upon conversion of the Convertible Debenture	4,025,035 ⁽¹⁾
Total Resulting Issuer Shares	91,866,054
Reserved for issuance pursuant to Pinestar Warrants	1,674,808
Resulting Issuer Shares issuable pursuant to outstanding Subordinated Notes	424,138
Resulting Issuer Shares issuable pursuant to outstanding Options	3,906,159
Total Resulting Issuer Shares Reserved for Issuance	6,005,105 ⁽²⁾
Total Number of Fully Diluted Securities (Currently Exercisable)	97,871,159⁽³⁾
Resulting Issuer Shares issuable pursuant to outstanding Jones Special Warrants	20,025,035
Resulting Issuer Shares issuable pursuant to outstanding Contingent Convertible Debentures	6,000,000
Resulting Issuer Shares issuable pursuant to Jones Special Warrants issuable pursuant to Contingent Convertible Debentures ⁽³⁾	6,000,000
Total Number of Fully Diluted Securities (Including Contingent Securities)	129,896,194

Note:

- (1) The Convertible Debenture was converted into an aggregate of 4,025,035 Jones Soda Shares and 4,025,035 Jones Special Warrants exercisable into an additional 4,025,035 Jones Soda Shares at an exercise price of US\$0.625 per Jones Soda Share for a period of 24 months from the date of issuance, conditional upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda.
- (2) Excluding Resulting Issuer Shares issuable pursuant to both the Contingent Convertible Debentures as well as the Jones Special Warrants which are both not convertible/exercisable until, and conditional upon, Jones Soda increasing its authorized capital to an

amount to cover the Jones Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures and Jones Special Warrants as well as the other Jones Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda.

- (3) The Contingent Convertible Debentures and the Jones Special Warrants are both not convertible/exercisable until, and conditional upon, Jones Soda increasing its authorized capital to an amount to cover the Jones Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures and Jones Special Warrants as well as the other Jones Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda. The increase of the Jones Soda authorized capital has not occurred as at the date of this Listing Statement and accordingly, the Contingent Convertible Debentures have not been converted and the Jones Special Warrants are not exercisable as at the date of this Listing Statement.

9. OPTIONS TO PURCHASE SECURITIES

9.1 Description of the Stock Option Plan

Jones Soda

Jones Soda has the ability to grant stock options to acquire Jones Soda Shares (the “**Jones Soda Options**”) pursuant to the terms of the Jones Soda Co. 2011 Equity Incentive Plan (the “**2011 Plan**”), a copy of which is included with this Listing Statement as Schedule “G” – Stock Option Plan.

Jones Soda Options entitle the holder to purchase a specified number of Jones Soda Shares at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. Jones Soda’s Compensation and Governance Committee (the “**Committee**”) may grant either incentive stock options, which must comply with Section 422 of the Internal Revenue Code of 1986, as amended (the “**Code**”), or nonqualified stock options. The Committee sets exercise prices and terms, except that stock options must be granted with an exercise price not less than 100% of the fair market value of the Jones Soda Shares on the date of grant (excluding stock options granted in connection with assuming or substituting stock options in acquisition transactions). Unless the Committee determines otherwise, fair market value means, as of a given date, the closing price of the Jones Soda Shares. At the time of grant, the Committee determines when Jones Soda Options are exercisable and what the term of the Jones Soda Options will be, except that the term cannot exceed ten years. If the agreement governing a Jones Soda Option agreement does not provide otherwise, Jones Soda Options will vest according to the schedule set forth in the 2011 Plan.

In the event of termination of service with Jones Soda or a related company, a participant will be able to exercise his or her Jones Soda Option for the period of time and on the terms and conditions determined by the Committee and stated in the agreement governing the Jones Soda Option. If the agreement governing the Jones Soda Option does not provide otherwise, Jones Soda Options may be exercised in accordance with following:

- Any portion of a Jones Soda option that is not vested and exercisable on the date of termination of service will expire on the date of termination of service.
- Any portion of a Jones Soda option that is vested and exercisable on the date of termination of service will expire on the earlier of:
 - the date that is three months after termination of service, if termination of service is for reasons other than cause, retirement, disability or death;

- the one-year anniversary of termination of service, if termination of service occurs by reason of retirement, disability or death; or
- the expiration date of the Jones Soda Option.

If a participant dies after his or her termination of service but while the Jones Soda Option is otherwise exercisable, the portion of the Jones Soda Option that is vested and exercisable on the date of termination of services will generally expire upon the earlier of the expiration date of the Jones Soda Option and the one-year anniversary of the date of death. If a participant is terminated for cause, all Jones Soda Options will generally automatically expire upon notification to the participant of the termination.

The following table summarizes information about the Jones Soda Options outstanding and exercisable under Jones Soda's stock incentive plans at December 31, 2020:

	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.15 to \$0.50	3,310,033	6.88	\$ 0.33	2,264,540	5.79	\$ 0.36
\$0.51 to \$1.09	244,750	4.49	0.69	244,750	4.49	0.69
\$1.10 to \$2.99	35,000	0.33	1.23	35,000	0.33	1.23
	<u>3,589,783</u>	6.66	0.36	<u>2,544,290</u>	5.59	0.40

On September 30, 2021, the Board of Directors, upon the recommendation of the Committee, approved an amendment to the 2011 Plan to decrease the number of Jones Soda Shares available for issuance pursuant to future awards under the 2011 Plan from 4,785,597 Jones Soda Shares to 2,500,000 Jones Soda Shares. As of such date, there were outstanding awards exercisable into an aggregate of 3,194,573 Jones Soda Shares previously granted under the 2011 Plan; after such amendment, there is an aggregate of 5,694,573 Jones Soda Shares reserved for issuance under the 2011 Plan. In addition, the Board of Directors approved an amendment to the outstanding awards previously granted under the 2011 Plan to provide that upon the closing of the Transaction, the vesting of such awards shall be accelerated, and such awards shall thereafter become immediately vested in full and the restrictions thereon shall lapse. If the Transaction is not consummated, there shall be no accelerated vesting and the awards shall continue to vest in accordance with their original terms.

As of the date hereof, Jones Soda has 3,906,159 issued and outstanding Jones Soda Options exercisable into 3,906,159 Jones Soda Shares at exercise prices ranging from \$0.15 to \$2.99.

Upon completion of the Transaction, the terms of the 2011 Plan will be amended (and or replaced with an alternative plan) to provide that the aggregate number of Resulting Issuer Shares issuable upon the exercise of Jones Soda Options granted under the 2011 Plan (or alternative plan) at any time may not exceed 10% of the total number of issued and outstanding Resulting Issuer Shares from time to time, subject to adjustment as set forth in the 2011 Plan (or

alternative plan), and further subject to the applicable rules and regulations of all regulatory authorities to which the Resulting Issuer may be subject from time to time.

10. DESCRIPTION OF THE SECURITIES

10.1 General

Common Stock

Jones Soda's authorized capital stock consists of 100,000,000 Jones Soda Shares, without par value. As of the date hereof, Jones Soda had 91,866,054 Jones Soda Shares issued and outstanding.

All outstanding Jones Soda Shares are of the same class and have equal rights and attributes. The holders of Jones Soda Shares are entitled to one vote per share on all matters submitted to a vote of shareholders of Jones Soda. All shareholders are entitled to share equally in all dividends, if any, as may be declared from time to time by Jones Soda's Board of Directors out of funds legally available. In the event of liquidation, the holders of Jones Soda Shares are entitled to share ratably in all assets remaining after payment of all liabilities. The shareholders do not have cumulative voting or pre-emptive rights.

All Resulting Issuer Shares outstanding after completion of the Transaction will be fully paid and non-assessable and not subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital.

Debt Securities

Subordinated Notes

During the first half of 2018, Jones Soda issued an aggregate principal amount of \$2,920,000 of Subordinated Notes, pursuant to the terms of a note purchase agreement. The Subordinated Notes have a four-year term from the date of issuance and bear interest at 6% per annum until maturity. The holders can convert the Subordinated Notes at any time during the term into a number of Jones Soda Shares equal to the quotient obtained by dividing (i) the amount of the unpaid principal and interest on the Subordinated Notes by (ii) \$0.32 (the "**Note Conversion Price**"). The Note Conversion Price is subject to broad based, weighted average antidilution protection in the event that Jones Soda issues Jones Soda Shares or equity equivalents at a price that is less than \$0.32 per share prior to the conversion of the Subordinated Notes. No payments of principal or interest are due until the maturity.

The Subordinated Notes are subordinated in right of payment to the prior payment in full of all of Jones Soda's Senior Indebtedness, which is defined as amounts due in connection with the company's indebtedness for borrowed money to banks, commercial finance lenders, or other lending institutions regularly engaged in the business of lending money, with certain restrictions.

As of the date hereof, Jones Soda has \$110,000 in aggregate principal amount of Subordinated Notes outstanding, that are currently convertible into an aggregate of 424,138 Jones Soda Shares. The holders of the Subordinated Notes have the right to convert such notes at any time during the term of the notes into a number of Jones Soda Shares equal to the quotient obtained by dividing (i) the amount of the unpaid principal and interest on the Subordinated Notes by (ii) US\$0.32.

Contingent Convertible Debentures

On February 9, 2022, Jones Soda issued \$3,000,000 in aggregate principal amount of Contingent Convertible Debentures. Each Contingent Convertible Debenture is convertible into units of Jones Soda at a US\$0.50 price per unit (with each unit consisting one Jones Soda Share and one Jones Special Warrant) only upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures as well as all of the other then outstanding convertible/exercisable securities of Jones Soda.

10.2 Other Securities

Not applicable.

10.3 Modification of Terms

Not applicable.

10.4 Other Attributes

Not applicable.

10.5 Prior Sales

Jones Soda

For the 12-month period prior to the date of this document, the following securities of Jones Soda were sold by Jones Soda or any Related Person of Jones Soda:

Date	Type of Transaction	Number and Type of Securities	Issue Price or Exercise Price (US\$)	Proceeds (US\$)
11/3/2020	Grant	500,000 options	US\$0.17	
12/2/2020	Grant	11,870 options	US\$0.18	
1/4/2021	Grant	523,450 options	US\$0.24	
2/10/2021	Conversion of Subordinated Notes	550,042 Jones Soda Shares	US\$0.32	
2/16/2021	Conversion of Subordinated Notes	1,835,016 Jones Soda Shares	US\$0.32	
3/16/2021	Exercise	25,000 Jones Soda Shares	US\$0.34	US\$11,200
3/23/2021	Grant	475,000 options	US\$0.49	
4/23/2021	Exercise	49,744 Jones Soda Shares	US\$0.43	US\$29,846
4/26/2021	Exercise	19,527 Jones Soda Shares	US\$0.43	US\$11,597
5/11/2021	Exercise	20,000 Jones Soda Shares	US\$0.49	US\$11,200

Date	Type of Transaction	Number and Type of Securities	Issue Price or Exercise Price (US\$)	Proceeds (US\$)
5/13/2021	Exercise	20,000 Jones Soda Shares	US\$0.49	US\$11,000
5/17/2021	Exercise	20,000 Jones Soda Shares	US\$0.49	US\$12,000
6/14/2021	Conversion of Subordinated Notes	462,600 Jones Soda Shares	US\$0.32	
7/15/2021	Exercise	40,000 Jones Soda Shares	US\$0.49	US\$28,000
7/22/2021	Exercise	45,000 Jones Soda Shares	US\$0.25	US\$32,000
7/23/2021	Conversion of Subordinated Notes	352,564 Jones Soda Shares	US\$0.32	
7/24/2021	Conversion of Subordinated Notes	96,875 Jones Soda Shares	US\$0.32	
7/30/2021	Conversion of Subordinated Notes	374,092 Jones Soda Shares	US\$0.32	
8/3/2021	Conversion of Subordinated Notes	18,714 Jones Soda Shares	US\$0.32	
8/9/2021	Conversion of Subordinated Notes	18,730 Jones Soda Shares	US\$0.32	
8/10/2021	Conversion of Subordinated Notes	375,993 Jones Soda Shares	US\$0.32	
8/12/2021	Exercise	9,063 Jones Soda Shares	US\$0.27	US\$10,103
8/13/2021	Exercise	117,797 Jones Soda Shares	US\$0.39	US\$127,282
8/16/2021	Exercise	162,000 Jones Soda Shares	US\$0.36	US\$153,900
8/18/2021	Exercise	66,972 Jones Soda Shares	US\$0.43	US\$71,704
8/18/2021	Conversion of Subordinated Notes	700,111 Jones Soda Shares	US\$0.32	
8/23/2021	Exercise	10,000 Jones Soda Shares	US\$0.18	US\$9,000
8/23/2021	Conversion of Subordinated Notes	279,400 Jones Soda Shares	US\$0.32	
8/24/2021	Exercise	17,000 Jones Soda Shares	US\$0.18	US\$18,190
8/26/2021	Exercise	95,000 Jones Soda Shares	US\$0.34	US\$105,943
8/31/2021	Exercise	10,203 Jones Soda Shares	US\$0.18	US\$12,244
9/2/2021	Exercise	20,000 Jones Soda Shares	US\$0.45	US\$22,000
9/3/2021	Exercise	50,000 Jones Soda Shares	US\$0.32	US\$52,500
10/13/2021	Exercise	3,750 Jones Soda Shares	US\$0.18	US\$3,675
1/3/2022	Grant	148,148 options	US\$0.675	
2/3/2022	Grant	452,500 options	US\$0.50	

In addition to the above issuances:

- On July 14, 2021, Jones Soda completed a non-brokered private placement and issued the US\$2,000,000 unsecured Convertible Debenture. On February 15, 2022, the Convertible Debenture was automatically converted into 4,025,035 units of Jones Soda (with each unit consisting of one Jones Soda Share and one Jones Special Warrant) at the Debenture Conversion Price upon the completion of the Acquisition.
- On February 9, 2022, Jones Soda completed a non-brokered private placement and issued approximately US\$3,000,000 in aggregate principal amount of Contingent Convertible Debentures. The Contingent Convertible Debentures are convertible into units of Jones Soda (with each such unit consisting one Jones Soda Share and one Jones Special Warrant) at a price of US\$0.50 per unit only upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures as well as all of the other then outstanding convertible/exercisable securities of Jones Soda.

- On February 15, 2022, Jones Soda completed the Acquisition. Pursuant to the Acquisition, Jones Soda issued 20,000,048 Jones Soda Shares and 16,000,000 Jones Soda Warrants.

Pinestar

For the 12-month period prior to the date of this Listing Statement, the following securities of Pinestar were sold:

- On February 8, 2022, Pinestar completed a non-brokered private placement of 16,000,000 Subscription Receipts at a price of US\$0.50 per Subscription Receipt for gross proceeds of \$8,000,000. Each Subscription Receipt was automatically exchanged to acquire one Pinestar Share (on a post-Consolidation basis) and one Pinestar Sub Receipt Warrant upon the satisfaction of certain escrow conditions related to the Acquisition, prior to the Effective Time.
- On March 31, 2021 Pinestar completed a non-brokered private placement of 16,800,000 units at a price of C\$0.006 per unit (on a pre-Consolidation basis, equivalent to 1,680,000 units at a price of C\$0.06 on a post-Consolidation basis) for gross proceeds of C\$100,800. Each unit consisted of one Pinestar Share and one Pinestar Warrant.
- On January 27, 2021, Pinestar completed a non-brokered private placement of 20,000,000 Pinestar Shares at a price of C\$0.005 per Pinestar Share (on a pre-Consolidation basis, equivalent to 2,000,000 Pinestar Shares units at a price of C\$0.05 on a post-Consolidation basis) for gross proceeds of C\$100,000.

10.6 Stock Exchange Price

The following table sets out the price ranges and volume traded or quoted on the OTCQB for the Jones Soda Shares for the period prior to the date of this Listing Application:

OTC Markets Group	High	Low	Volume
February 1 to February 14, 2022	\$0.55	\$0.48	946,400
January 2022	\$0.73	\$0.47	1,089,400
December 2021	\$0.95	\$0.60	1,886,800
November 2021	\$1.10	\$0.82	2,282,200
October 2021	\$1.01	\$0.821	1,511,700
Quarter ended September 30, 2021	\$1.44	\$0.45	27,890,200
Quarter ended June 30, 2021			
Quarter ended March 30, 2021	\$0.70	\$0.232	17,860,500
Quarter ended December 31,	\$0.239	\$0.13	12,723,500

OTC Markets Group	High	Low	Volume
2020			
Quarter ended September 30, 2020	\$0.20	\$0.161	4,233,800
Quarter ended June 30, 2020	\$0.25	\$0.17	10,053,500
Quarter ended March 31, 2020	\$0.31	\$0.18	10,262,700

Jones Soda has applied to the CSE for the listing of the Resulting Issuer Shares. Listing will be subject to the Resulting Issuer fulfilling all the listing requirements of the CSE. The Resulting Issuer Shares would be listed under the trading symbol “JSDA”.

11. ESCROWED SECURITIES

11.1 Escrowed Securities

To the knowledge of directors and officers of each of Jones Soda, no securities of Jones Soda are held in escrow or subject to a pooling agreement.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of directors and officers of Jones Soda, the following person beneficially and of record, directly or indirectly, owns or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer:

Name	Number of Issuer Shares Held	Percentage of class⁽¹⁾
SOL Global Investments Corp.	17,222,195 ⁽²⁾	18.74%

Notes:

- (1) The total issued and outstanding Resulting Issuer Shares is 91,866,054 on an undiluted basis.
- (2) This number includes 281,345 Resulting Issuer Shares held directly by SOL Global Investments Corp. (“**SOL Global**”), 8,085,815 Resulting Issuer Shares held by SOL Verano Blocker 1 LLC (“**SOL Blocker**”), a wholly-owned subsidiary of SOL Global, 4,025,035 Resulting Issuer Shares issued by the Resulting Issuer to SOL Blocker at the closing of the Transaction upon the conversion of the Convertible Debenture, and 4,830,000 Resulting Issuer Shares issued by the Resulting Issuer in connection with the conversion of Subscription Receipts held by SOL Blocker on the date of the Acquisition. This does not include the Resulting Issuer Shares issuable upon the exercise of the 4,830,000 Special Warrants issued in connection with the conversion of the Subscription Receipts held by SOL Blocker or the Resulting Issuer Shares issuable upon the exercise of 4,025,035 Special Warrants issued in connection with the conversion of the of the Convertible Debenture held by SOL Blocker.

To the knowledge of Jones Soda, other than as set out herein, there is no voting trust or similar agreement, subject to which more than 10 per cent of any class of voting securities of the Resulting Issuer is held, or is to be held.

To the knowledge of Jones Soda, the principal shareholders is not an Associate or Affiliate of any other principal shareholder.

Investor Rights Agreement

On July 11, 2019, Jones Soda entered into a securities purchase agreement (the “**SPA**”) with Heavenly Rx Ltd. (the “**Investor**”) pursuant to which the Jones Soda sold to the Investor in a private placement: (a) 15,000,000 Jones Soda Shares and (b) a warrant to purchase up to an additional 15,000,000 Shares at a price of US\$0.60 per Jones Soda Share (the “**Heavenly Warrant**”). The aggregate purchase price for the Shares and the Heavenly Warrant was US\$9,000,000 in cash, which was paid to Jones Soda at the closing of the purchase and sale on July 11, 2019.

In connection with the SPA, Jones Soda, the Investor, Jennifer Cue, Eric Chastain and Michael Fleming (the “**SPA Shareholders**”) entered into an Investor Rights Agreement on July 11, 2019 (the “**IRA**”). Pursuant to the IRA, Jones Soda and the SPA Shareholders agreed to cause the Board to be set at seven (7) directors, and, if the investor holds 25% or more of the voting securities of the Corporation (including voting securities held by its Affiliates (which includes SOL Global Investment Corp.)), the Investor will have the right to designate two members of the Board (the “**Investor Designees**”), and the SPA Shareholders have agreed to vote their Shares in favor of the election of the Investor Designees. For so long as any Investor Designees serve on the Board, Jones Soda must obtain the approval of the Board, including all of the Investor Designees, before taking certain actions, such as amending Jones Soda’s charter documents, offering to sell any new securities, creating any debt security, approving a change of control, changing the strategy or principal lines of business of Jones Soda, liquidating or dissolving Jones Soda or agreeing to make expenditures in excess of \$1,000,000. The Investor also has the right to appoint a non-voting observer to attend all meetings of the Board. In addition, in the event that Jones Soda proposes to offer any new securities (subject to certain standard exceptions), the Investor has a right of first offer to purchase such securities. Jones Soda also agreed to maintain director and officer insurance so long as any Investor Designee serves on the Board. As of the date hereof, the Investor does not hold such 25% of the voting securities of the Corporation.

13. DIRECTORS AND OFFICERS

13.1 General

The board of directors of the Resulting Issuer is composed of six members, as set out below.

The name, municipality of residence, position or office held with Jones Soda and principal occupation of each director and executive officer of Jones Soda, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding the Jones Soda Shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and position with the Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction ⁽¹⁾⁽⁵⁾
Mark Murray ⁽⁴⁾	President of JGC Food Company	September 1,	450,000 (0.05%)

Name, place of the residence and position with the Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction ⁽¹⁾⁽⁵⁾
President, Chief Executive Officer, and Director Dallas, TX	("JGC from 2017 to May 2019, and Vice President of Sales and Marketing of JGC from 2013 to 2017.	2020	
Jamie Colbourne ⁽²⁾ Chair of the Board of Directors, Interim Chief Financial Officer and Director Bainbridge Island, WA	Interim Chief Executive Officer of Jones Soda from April 6, 2020 until December 1, 2020; Chief Executive Officer and director of Harry's Fresh Foods from July 2012 until March 2019.	September 1, 2020	400,000 (0.49%)
Paul Norman ⁽²⁾⁽³⁾⁽⁴⁾ Director Miami Beach, FL	Director on board of directors of Hearthside Food Solutions; Chairman of Heavenly RX Ltd. from June 2019 to April 2020; President of the Kellogg Company's North American operations from April 2015 to April 2018. President of CHW Acquisition Corporation since August 30, 2021.	August 6, 2019	1,665,152 (1.81%)
Clive Sirkin ⁽²⁾⁽³⁾ Director Chicago, IL	Chief Growth Officer for the Kellogg Company from January 2016 through February 2019; Chief Marketing Officer of Kimberly-Clark from March 2012 to November 2015	August 6, 2019	1,919,036 (2.09%)
Alex Spiro ⁽³⁾⁽⁴⁾ Director New York, NY	Partner at Quinn Emanuel Urquhart & Sullivan LLP. Graduate of Harvard Law School, where he continues to teach. Serves as a strategic advisor and board member to both public and private companies and helps growth stage ventures with a variety of legal and operational matters. Served as a board member of Glassbridge Enterprises, Imedia Brands, and Arrive, a private equity venture with Glassbridge Enterprises in partnership with Primary Venture Partners and Roc Nation.	February 15, 2022	883,000 (0.96%)
Eric Chastain Chief Operating Officer and Corporate Secretary	Chief Operating Officer of Jones Soda	June 27, 2014	10,500 (0.01%)

Name, place of the residence and position with the Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction ⁽¹⁾⁽⁵⁾
Seattle, WA			
Joe Culp Controller Seattle, WA	Various financial roles at Jones Soda from January 2019 to March 2021; Senior accountant in the audit department of Moss Adams LLP from 2014 to November 2018	March 8, 2021	N/A
Chad Bronstein ⁽²⁾ Director Oak Brook, IL	Chief Executive Officer and Founder of Fylo, a company providing compliance-first SaaS solutions for highly regulated industries. Previously, Chief Revenue Officer of Amobee Inc. after it was acquired by Adconian Media Group, where he served as Senior Vice President of North American Sales and Partnerships.	February 15, 2022	200,000 (0.22%)

Notes:

- (1) The information as to principal occupation, business or employment and Resulting Issuer Shares beneficially owned or controlled is not within the knowledge of the management of Jones Soda and has been furnished by the respective nominees.
- (2) Member of Audit Committee.
- (3) Member of the Compensation and Governance Committee.
- (4) Member of the Nominating Committee.
- (5) The total issued and outstanding Resulting Issuer Shares is 91,866,054 on an undiluted basis.

13.2 Period of Service of Directors

Clive Sirkin and Paul Norman have been directors of Jones Soda since August 6, 2019, Jamie Colbourne has been a director of Jones Soda since September 1, 2020, Mark Murray has been a director of Jones Soda since May 19, 2021. Each of Alex Spiro and Chad Bronstein became a director upon completion of the Transaction.

13.3 Directors and Executive Officers Common Share Ownership

The directors and executive officers of the Resulting Issuer as a group, directly or indirectly, will beneficially own or exercise control or direction over 5,527,688 Resulting Issuer Shares, representing approximately 6.02% of the issued and outstanding common shares of the Resulting Issuer.

13.4 Board of Directors Committees

The Resulting Issuer has three committees: the Audit Committee, the Compensation and Governance Committee and the Nominating Committee.

The Audit Committee of the Resulting Issuer will consist of the following members:

- Jamie Colbourne (Chair)
- Paul Norman Independent Member
- Clive Sirkin Independent Member
- Chad Bronstein Independent Member

The Reporting Issuer is a “venture issuer” as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

The board of Jones Soda has adopted a charter for the Audit Committee which sets out the Audit Committee’s mandate, organization, powers and responsibilities (the “**Audit Committee Charter**”). The Audit Committee Charter is attached as Schedule “I” to this Listing Statement.

The Compensation and Governance Committee of the Resulting Issuer will consist of the following members:

- Clive Sirkin Independent Member
- Alex Spiro Independent Member
- Paul Norman Independent Member

The Nominating Committee of the Resulting Issuer will consist of the following members:

- Mark Murray
- Paul Norman Independent Member
- Alex Spiro Independent Member

13.5 Principal Occupation of Directors and Executive Officers

Information on directors and executive officers’ principal occupation is set out in section 13.1 – *Directors and Officers - General*.

13.6 Cease Trade Orders or Bankruptcies

Other than described below, no director or officer of the Resulting Issuer, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor any personal holding company of any such person is, or has, within the 10 years prior to the date of this document: (a) been the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (b) been subject to an event that resulted, after the director or officer ceased to be a director or executive officer of such company, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (c) become bankrupt, made a proposal under any legislation relating to bankruptcy or

insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or (d) within a year of the director or officer ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On August 7, 2013, the BCSC issued a cease trade order to Pinestar for failure to file audited financial statements and trading of the Pinestar Shares was suspended as a result. On September 30, 2013, Pinestar was reinstated for trading. On August 6, 2014 and November 5, 2014, the BCSC and the ASC, respectively, issued cease trade orders to Pinestar for failure to file audited financial statements and annual management discussion and analysis and trading of the Pinestar Shares was suspended. On March 22, 2021, the BCSC and ASC issued orders revoking their cease trade orders.

13.7 Penalties or Sanctions

No director, officer or promoter of the Resulting Issuer, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.8 Settlement Agreements

Not applicable.

13.9 Personal Bankruptcies

Other than described below, no director or officer of the Resulting Issuer, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor any personal holding company of any such person is, or has, within the 10 years prior to the date of this document, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

13.10 Conflicts of Interest

The directors of the Resulting Issuer are bound by the provisions of the WBCA to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

The Board of Directors, upon the recommendation of Jones Soda's Audit Committee, has adopted a written policy for the review and approval or ratification of related person transactions. Under this policy, the Resulting Issuer's directors and executive officers are expected to disclose to the Resulting Issuer's principal financial officer (or, if the transaction involves the principal financial officer, to the CEO) (either, as applicable, the "**Designated Officer**") the material facts of any transaction that could be considered a related person transaction promptly upon gaining knowledge of the transaction. For purposes of this policy, a related person transaction is generally defined as any transaction involving a related person as defined under Item 404(a) of Regulation S-K, the SEC's related person transaction disclosure rule, without regard to a dollar threshold for such transaction.

If the Designated Officer determines that the transaction is a related person transaction under Jones Soda's policy, the Designated Officer will notify the Chair of Jones Soda's Audit Committee and submit the transaction to the Audit Committee, which will review and determine whether to approve or ratify the transaction.

When determining whether to approve or ratify a related person transaction, Jones Soda's Audit Committee will review relevant facts regarding the related person transaction, including:

- the extent of the related person's interest in the transaction;
- whether the terms are comparable to those generally available in arm's-length transactions; and
- whether the related person transaction is consistent with the best interests of Jones Soda.

The related person involved in the related person transaction may participate in the approval/ratification process only to provide additional information as needed for Jones Soda's Audit Committee's review. If any related person transaction is not approved or ratified by the Jones Soda's Audit Committee, the Audit Committee may take such action in respect of the transaction as it may deem necessary or desirable in the best interests of Jones Soda and its shareholders. If any related person transaction is ongoing or is part of a series of transactions, Jones Soda's Audit Committee may establish guidelines as necessary to appropriately review the ongoing related person transaction. After initial approval/ratification of the transaction, Jones Soda's Audit Committee will review the related person transaction on a regular basis (at least annually).

Jones Soda's Audit Committee is authorized to administer our related person transactions policy, and may amend, modify and interpret the policy as it deems necessary or desirable. Any material amendments or modifications to the policy will be reported to the full Board of Directors at its

next regularly scheduled meeting. In addition, Jones Soda's Audit Committee will conduct an annual review and assessment of the policy.

To the best of Jones Soda's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, its promoters, directors and officers or other members of management of the Resulting Issuer or of any proposed promoter, director, officer or other member of management except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies.

13.11 Management

The following sets out details of the directors and management of the Resulting Issuer:

Mark Murray, Age 61, President, Chief Executive Officer and Director

Prior to becoming the President and Chief Executive Officer of Jones Soda in September 2020, Mr. Murray was most recently the President of JGC Food Company ("**JGC**"), a position he held from 2017 to May 2019, and was previously the Vice President of Sales and Marketing of JGC from 2013 to 2017. He was the Vice President of Sales of Harry's Fresh Foods from 2011 and 2013 and Vice President of National Accounts of Solo Cup Company from 2008 to 2011. Previous to 2008, Mr. Murray held numerous other roles in sales and marketing, including a 22-year career with Kraft Foods. Mr. Murray received a Bachelor of Arts degree in Marketing, from Michigan State University in 1982. Mr. Murray intends to commit 100% of his time to the Resulting Issuer.

Eric Chastain, Age 50, Chief Operating Officer and Corporate Secretary

Mr. Chastain was appointed as Jones Soda's Chief Operating Officer effective June 2014. He has been with Jones Soda for nearly 19 years, and previously served as Vice President of Operations of Jones Soda from May 2002 to June 2014. As Chief Operating Officer, Mr. Chastain is responsible for directing the operational aspects of Jones Soda's contract manufacturing, as well as purchasing, logistics, and product development. Additionally, Mr. Chastain leads the international business development for Jones Soda. Prior to joining Jones Soda, Mr. Chastain had several years of beverage manufacturing experience as Director of Operations. Mr. Chastain attended Washington State University and Central Washington University where he earned a Bachelor of Arts degree in Business Administration in June 1993. Mr. Chastain intends to commit 100% of his time to the Resulting Issuer.

Joe Culp, Age 30, Controller

Mr. Culp was appointed as Jones Soda's Controller, Principal Financial Officer and Principal Accounting Officer effective March 8, 2021. He has served in various financial roles since joining Jones Soda in January 2019. Previously, Mr. Culp served as a senior accountant in the audit department of Moss Adams LLP from 2014 to November 2018, performing audits for both public and private companies across various industries including manufacturing, public utilities, financial institutions, health care, and contractors. Mr. Culp received a Bachelor of Arts degree

in Accounting and Master's in Accounting, both from Washington State University, and is a Certified Public Accountant. Mr. Culp intends to commit 100% of his time to the Resulting Issuer.

Jamie Colbourne, Age 63, Chairman of Board of Directors and Interim Chief Financial Officer

Mr. Colbourne served as Jones Soda's Interim Chief Executive Officer from April 6, 2020 until December 1, 2020 and has served as the Chairman of Jones Soda's Board of Directors since January 1, 2021. Prior to that, he was the Chief Executive Officer of Harry's Fresh Foods, a position he held from July 2012 until it was sold in March 2019, and also served on its Board of Directors. Mr. Colbourne currently serves on the Board of Directors of Ellenos Real Greek Yogurt, Harbor Wholesale, and Bargreen Ellingson. He was the Chief Operating Officer of Charlie's Produce from 2008 to 2012. From 2002 to 2008, Mr. Colbourne served as Chief Executive Officer and President of Litehouse Inc., and prior to that, he held positions at Tully's Coffee, Specialty Frozen Foods, Haagen-Dazs, Pepsico/Seven-up Canada. Mr. Colbourne received a Bachelor of Commerce, Marketing and Finance from St. Mary's University in Canada and received a Canadian Chartered Accounting designation in 1982. Mr. Colbourne intends to commit 80% of his time to the Resulting Issuer while he performs the duties of Interim Chief Financial Office and 10% of his time as a Chairman of the Board.

Paul Norman, Age 56, Director

Mr. Norman has been a director of Jones Soda since August 2016. Mr. Norman is a seasoned global operating executive that currently serves on the Board of Directors of Hearthside Food Solutions. Previously, from June 2019 through April 2020, Mr. Norman was chairman and CEO of Heavenly Rx Ltd., where he is focused on developing a long-term strategic direction and growing the company's brand portfolio. Preceding his role at Heavenly Rx Ltd., Mr. Norman spent over 30 years at the Kellogg Company, a multinational food manufacturing company, and most recently served as President of the company's North American operations from April 2015 to April 2018. During his multi-decade career at Kellogg, Norman led various transformation efforts through strategic portfolio innovation and management that resulted in long-term, profitable growth. Mr. Norman earned a bachelor's degree in French studies from the University of Portsmouth in June 1987, and previously was a Board member for the Grocery Manufacturers Association, where he served on the executive committee. Mr. Norman intends to commit 10% of his time to the Resulting Issuer.

Clive Sirkin, Age 57, Director

Mr. Sirkin has been a director of Jones Soda since August 2016. Mr. Sirkin is a seasoned marketing executive who has held various executive roles in large multinational consumer packaged goods (CPG) companies. He was most recently the Chief Growth Officer for the Kellogg Company from January 2016 through February 2019. In this capacity he was a member of the company's Executive Committee and was responsible for R&D, innovation, sales, marketing, research and analytics and setting the category strategy for the company. Prior to Kellogg, Clive served as the Chief Marketing Officer of Kimberly-Clark from March 2012 to November 2015, overseeing all marketing across their B2B and B2C divisions. This followed a

16+ year career in advertising at Leo Burnett, where he served in various leadership capacities across multiple geographies culminating in being named Group Managing Director with responsibility for setting the global business strategy for the group. He served on the Global Executive Committee and the Board of the company. Mr. Sirkin currently serves on the Boards of Screendragon Ltd., Fyllo tech, UCAN and 70 Faces Media. He earned a B. Comm. degree from the University of Witwatersrand in South Africa in 1985. Mr. Sirkin intends to commit 10% of his time to the Resulting Issuer.

Alex Spiro, Age 39, Director

Mr. Spiro has been a director of Jones Soda since December 2021. Mr. Spiro is a former prosecutor and a well-known litigator who has represented an array of disrupting companies across the globe. Mr. Spiro has been a partner at Quinn Emanuel Urquhart & Sullivan LLP since October 2017, where he currently serves as Co-Chair of the Investigations, Government Enforcement & White-Collar Defense practice. Prior to that, Mr. Spiro had been an attorney at Brafman and Associates in New York City since July 2013. In that position, Mr. Spiro has handled an array of complex litigation and investigations. Prior to his joining Brafman and Associates, from September 2008 to July 2013, Mr. Spiro worked as a Manhattan prosecutor. Mr. Spiro formerly was the director of an autism children's program at McLean Hospital, Harvard's psychiatric hospital. Mr. Spiro graduated with a B.A. in Psychology from Tufts University in 2005 and a J.D. from Harvard Law School in 2008, and he is currently a member of the adjunct faculty at Harvard. Mr. Spiro became admitted to the State Bar of New York in 2008. He has lectured and written on a variety of subjects related to psychology and the law. Mr. Spiro serves as a strategic advisor and board member to both public and private companies and helps growth-stage ventures with a variety of legal and operational matters. Mr. Spiro serves on the board the board of Glassbridge Enterprises and Imedia Brands, and ARRIVE, a private equity venture with Glassbridge Enterprises in partnership with Primary Venture Partners and Roc Nation. Mr. Spiro intends to commit 10% of his time to the Resulting Issuer.

Chad Bronstein, Age 34, Director

Currently, Mr. Bronstein serves as Chief Executive Officer and Founder of Fyllo, a company providing compliance-first SaaS solutions for highly regulated industries. He also serves as Co-Founder and Chairman of the Board for Tyson 2.0, boxer Mike Tyson's cannabis company, and Wesana Health, a life science company on a journey to treat traumatic brain injury and mental illness through psychedelics. In addition, he is an investor and partner in Kenan Thompson's new talent management and production company, Artists for Artists. Previously, Mr. Bronstein served as the Chief Revenue Officer of Amobee Inc. after it was acquired by Adconian Media Group, where he served as Senior Vice President of North American Sales and Partnerships. Mr. Bronstein is also a strategic advisor at OpenWeb. He graduated from Miami University in 2009. Mr. Bronstein intends to commit 10% of his time to the Resulting Issuer.

14. CAPITALIZATION

14.1 Issued Capital

	<u>Number of Securities (non- diluted)</u>	<u>Number of Securities (fully- diluted)</u>	<u>% of Issued (non-diluted)</u>	<u>% of Issued (fully diluted)</u>
<u>Public Float</u>				
Total outstanding (A)	91,866,054	129,896,194	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	31,749,883	43,604,918	34.6%	33.6%
Total Public Float (A-B)	60,166,171	86,291,276	65.4%	66.4%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	0	0	0%	0%
Total Tradable Float (A-C)	91,866,054	129,896,194	100%	100%

Public Security holders (Registered)

For the purposes of the following table, “public securityholders” are persons other than persons enumerated in section (B) of the Issued Capital table and only registered holders are listed.

Class of Security: Common Shares

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	103	2,864
100 – 499 securities	69	12,408
500 – 999 securities	17	12,285
1,000 – 1,999 securities	8	8,000
2,000 – 2,999 securities	3	6,100
3,000 – 3,999 securities	1	3,000
4,000 – 4,999 securities	1	4,655

Size of Holding	Number of holders	Total number of securities
5,000 or more securities	21	13,670,898
Total	223	13,720,210

Public Securityholders (Beneficial)

For the purposes of the following table, “public securityholders (beneficial)” include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary; but does not include “non-public securityholders” being those persons enumerated in section (B) of the above Issued Capital table. Beneficial holders below are based partially on a share range report of Jones Soda as of January 21, 2022.

Class of Security: Common Shares

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	3,396	106,662
100 – 499 securities	3,845	767,252
500 – 999 securities	1,109	686,098
1,000 – 1,999 securities	1,149	1,363,961
2,000 – 2,999 securities	468	1,034,909
3,000 – 3,999 securities	237	760,199
4,000 – 4,999 securities	156	655,484
5,000 or more securities	1,004	55,520,862
Total	11,334	60,895,429

Non-Public Securityholders (Registered)

For the purposes of this table, “non-public securityholders” are persons enumerated in section (B) of the above Issued Capital table.

Class of Security: Common Shares

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	9	21,462,613

Size of Holding	Number of holders	Total number of securities
Total	9	21,462,613

14.2 Convertible/Exchangeable Securities

As at the date of this Listing Statement, Jones Soda had 3,906,159 Jones Soda Options outstanding convertible into 3,906,159 Jones Soda Shares, and outstanding Subordinated Notes that are convertible into an aggregate of 424,138 Jones Soda Shares. In addition, as at the date of this Listing Statement, Jones Soda had (a) US\$3,000,000 in aggregate principal amount of Contingent Convertible Debentures that are convertible into 6,000,000 Jones Soda Shares and 6,000,000 Jones Special Warrants (only upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Contingent Convertible Debentures as well as all of the other then outstanding convertible/exercisable securities of Jones Soda; and (b) 20,025,035 Jones Special Warrants outstanding that are exercisable into an aggregate of 20,025,035 Jones Soda Shares conditional upon Jones Soda increasing its authorized capital to an amount to cover the Jones Soda Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Soda Shares issuable pursuant to the then outstanding convertible/exercisable securities of Jones Soda. The increase of the Jones Soda authorized capital has not occurred as at the date of this Listing Statement and accordingly, the Contingent Convertible Debentures have not been converted and the Jones Special Warrants are not exercisable as at the date of this Listing Statement.

14.3 Other Listed Securities

There are no listed securities reserved for issuance that are not included in Section 14.2 – “Convertible/Exchangeable Securities”.

15. EXECUTIVE COMPENSATION

15.1 Statement of Executive Compensation

Details related to the executive compensation paid by Jones Soda, prepared in accordance with Form 51-102F6V of National Instrument 51-102 – *Continuous Disclosure Obligations*, are attached as Schedule “H” to this Listing Statement.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of Jones Soda or person who acted in such capacity in the last financial year of Jones Soda, or director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of Jones Soda, indebted to Jones Soda nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Jones Soda.

17. RISK FACTORS

The business of the Resulting Issuer is subject to certain risks and uncertainties inherent in the premium beverage and cannabis industries. Prior to making any investment decision regarding the Resulting Issuer as the case may be, investors should carefully consider, among other things, the risk factors set forth below.

While this Listing Statement has described the risks and uncertainties that management of Jones Soda believe to be material to the Resulting Issuer's business, it is possible that other risks and uncertainties affecting the Resulting Issuer's business will arise or become material in the future.

If the Resulting Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Resulting Issuer Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that affect the Resulting Issuer:

17.1 Business and Operational Risks

Risks Related Financial Condition and Capital Requirements

Jones Soda has experienced recurring losses from operations and negative cash flows from operating activities

Jones Soda has experienced recurring losses from operations and negative cash flows from operating activities and expects to continue to incur significant expenses related to its ongoing operations and generate operating losses for the foreseeable future. Jones Soda incurred a net loss of \$3.0 million for the year ended December 31, 2020. Jones Soda's accumulated deficit increased to \$70.0 million as of December 31, 2020 compared to the prior year's deficit of \$67.0 million.

Jones Soda may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors that may adversely affect its financial condition. Jones Soda's prior losses and expected future losses have had an adverse effect on its financial condition. If Jones Soda's products do not achieve sufficient market acceptance and its revenues do not increase significantly, Jones Soda may continue to generate operating losses for the foreseeable future. If Jones Soda achieves profitability in the future, Jones Soda may not be able to sustain profitability in subsequent periods. Jones Soda's failure to become and remain profitable would decrease its value and could impair its ability to raise capital, expand its business, diversify its product offerings or continue its operations.

If Jones Soda is not able to successfully execute on its future operating plans, its financial condition and results of operation may be materially adversely affected, and it may not be able to continue as a going concern.

It is critical that Jones Soda meets its sales goals and increases sales going forward as its operating plan already reflects prior significant cost containment measures and may make it

difficult to achieve top-line growth if further significant reductions become necessary. If Jones Soda does not meet its sales goals, its available cash and working capital will decrease and its financial condition will be negatively impacted.

If Jones Soda does not effectively utilize the proceeds from its financing from Heavenly Rx Ltd., its financial condition and results of operations may be materially adversely affected.

On July 11, 2019, Jones Soda entered into a securities purchase agreement with Heavenly Rx Ltd. pursuant to which it sold certain securities to Heavenly Rx Ltd. for an aggregate purchase price of US\$9,000,000 in cash. Jones Soda intends to continue to use the proceeds from this offering for general working capital and other purposes, including sales and marketing, product development and capital expenditures for its legacy business and new business initiatives. However, if Jones Soda is unable to effectively utilize the proceeds of this financing, its financial condition and results of operations may suffer.

Jones Soda may need additional financing in the future, which may not be available when needed or may be costly and dilutive.

Jones Soda may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of financing to fund those needs will depend on a number of factors, including Jones Soda's strategic initiatives and operating plans, the performance of its business and the market conditions for debt or equity financing. Additionally, the amount of capital required will depend on Jones Soda's ability to meet its sales goals and otherwise successfully execute its operating plan. Jones Soda believes it is imperative that it meet these sales objectives in order to lessen its reliance on external financing in the future. Jones Soda intends to continually monitor and adjust its operating plan as necessary to respond to developments in its business, its markets and the broader economy. In addition, the continuation of the COVID-19 pandemic and uncertain market conditions may limit Jones Soda's ability to access capital, may reduce demand for certain products, and may negatively impact its supply chain. Although Jones Soda believes various debt and equity financing alternatives will be available to it to support its working capital needs, financing arrangements on acceptable terms may not be available to Jones Soda when needed. Moreover, these alternatives may require significant cash payments for interest and other costs or could be highly dilutive to Jones Soda's existing shareholders. Any such financing alternatives may not provide Jones Soda with sufficient funds to meet its long-term capital requirements. If necessary, Jones Soda may explore strategic transactions that it considers to be in the best interest of the company and its shareholders, which may include, without limitation, public or private offerings of debt or equity securities, a rights offering, and other strategic alternatives; however, these options may not ultimately be available or feasible when needed.

If Jones Soda is unable to continue as a going concern, its securities will have little or no value.

Although Jones Soda's audited financial statements for the year ended December 31, 2020 were prepared under the assumption that Jones Soda would continue its operations as a going concern, as disclosed in Note 1 to the Jones Soda Annual Financial Statements, Jones Soda has concluded that substantial doubt exists as to its ability to continue as a going concern. Further,

the report of Jones Soda's independent registered public accounting firm that accompanies the Jones Soda Annual Financial Statements contains a going concern qualification in which such firm expressed substantial doubt about Jones Soda's ability to continue as a going concern, based on the financial statements at that time. Specifically, as noted above, Jones Soda has experienced recurring losses from operations and negative cash flows from its operating activities and expects to continue to incur significant expenses related to its ongoing operations and generate operating losses for the foreseeable future. These prior losses and possible future losses have had, and may continue to have, an adverse effect on Jones Soda's financial condition. In addition, continued operations and Jones Soda's ability to continue as a going concern may be dependent on its ability to obtain additional financing in the near future and thereafter. Jones Soda's financial statements do not include any adjustments that may result from the outcome of this uncertainty. If Jones Soda is unable to generate additional funds in the future through sales of its products, financings or from other sources or transactions, Jones Soda will exhaust its resources and will be unable to continue operations. If Jones Soda cannot continue as a going concern, its shareholders would likely lose most or all of their investment in Jones Soda.

Risk Factors Relating to Jones Soda's Brand and Its Industry

Jones Soda competes in an industry that is brand-conscious, so brand name recognition and acceptance of its products is critical to its success.

Jones Soda's business is substantially dependent upon awareness and market acceptance of its products and brands by its target market, trendy, young consumers looking for a distinctive tonality in their beverage choices. In addition, Jones Soda's business depends on acceptance by its independent distributors and retailers of its brands as beverage brands that have the potential to provide incremental sales growth. If Jones Soda is not successful in the revitalization and growth of its brand and product offerings, Jones Soda may not achieve and maintain satisfactory levels of acceptance by independent distributors and retail consumers. In addition, Jones Soda may not be able to effectively execute its marketing strategies in light of the various closures and event cancellations caused by the COVID-19 pandemic. Any failure of the Jones Soda brand to maintain or increase acceptance or market penetration would likely have a material adverse effect on the company's revenues and financial results.

Jones Soda's brand and image are keys to its business and any inability to maintain a positive brand image could have a material adverse effect on its results of operations.

Jones Soda's success depends on its ability to maintain brand image for its existing products and effectively build up brand image for new products and brand extensions. Jones Soda cannot predict whether its advertising, marketing and promotional programs will have the desired impact on its products' branding and on consumer preferences. In addition, negative public relations and product quality issues, whether real or imagined, could tarnish its reputation and image of the affected brands and could cause consumers to choose other products. Jones Soda's brand image can also be adversely affected by unfavorable reports, studies and articles, litigation, or regulatory or other governmental action, whether involving Jones Soda's products or those of its competitors.

Competition from traditional and large, well-financed non-alcoholic beverage manufacturers may adversely affect Jones Soda's distribution relationships and may hinder development of its existing markets, as well as prevent Jones Soda from expanding its markets.

The beverage industry is highly competitive. Jones Soda competes with other beverage companies not only for consumer acceptance but also for shelf space in retail outlets and for marketing focus by its distributors, all of whom also distribute other beverage brands. Jones Soda's products compete with all non-alcoholic beverages, most of which are marketed by companies with substantially greater financial resources than Jones Soda. Some of these competitors are placing severe pressure on independent distributors not to carry competitive sparkling brands such as Jones Soda. Jones Soda also competes with regional beverage producers and "private label" soft drink suppliers.

Jones Soda's direct competitors in the sparkling beverage category include traditional large beverage companies and distributors, and regional premium soft drink companies. These national and international competitors have advantages such as lower production costs, larger marketing budgets, greater financial and other resources and more developed and extensive distribution networks than Jones Soda. Jones Soda may not be able to grow its volumes or maintain its selling prices, whether in existing markets or as it enters new markets.

Increased competitor consolidations, market-place competition, particularly among branded beverage products, and competitive product and pricing pressures could impact Jones Soda's earnings, market share and volume growth. If, due to such pressure or other competitive threats, Jones Soda is unable to sufficiently maintain or develop its distribution channels, Jones Soda may be unable to achieve its current revenue and financial targets. As a means of maintaining and expanding its distribution network, Jones Soda intends to introduce product extensions and additional brands. Lemoncocco, Jones Soda's new premium non-carbonated beverage, is an example of a new product Jones Soda has introduced recently. Jones Soda may not be successful in doing this, or it may take Jones Soda longer than anticipated to achieve market acceptance of these new products and brands, if at all. Other companies may be more successful in this regard over the long term. Competition, particularly from companies with greater financial and marketing resources than Jones soda, could have a material adverse effect on Jones Soda's existing markets, as well as on its ability to expand the market for its products.

Jones Soda competes in an industry characterized by rapid changes in consumer preferences and public perception, so its ability to continue developing new products to satisfy the changing preferences of consumers will determine its long-term success.

Failure to introduce new brands, products or product extensions into the marketplace as current ones mature and to meet the changing preferences of consumers could prevent Jones Soda from gaining market share and achieving long-term profitability. Product lifecycles can vary and consumer preferences and loyalties change over time. Although Jones Soda tries to anticipate these shifts and innovate new products to introduce to our consumers, Jones Soda may not succeed. Consumer preferences also are affected by factors other than taste, such as health and nutrition considerations and obesity concerns, shifting consumer needs, changes in consumer lifestyles, increased consumer information and competitive product and pricing pressures. Sales of Jones Soda's products may be adversely affected by the negative publicity associated with

these issues. In addition, there may be a decreased demand for certain products as a result of the COVID-19 pandemic. If Jones Soda does not adequately anticipate or adjust to respond to these and other changes in consumer preferences, the company may not be able to maintain and grow its brand image and its sales may be adversely affected.

Jones Soda may experience a reduced demand for some of its products due to health concerns (including obesity) and legislative initiatives against sweetened beverages.

Consumers are concerned about health and wellness; public health officials and government officials are increasingly vocal about obesity and its consequences. There has been a trend among some public health advocates and dietary guidelines to recommend a reduction in sweetened beverages, as well as increased public scrutiny, new taxes on sugar-sweetened beverages (as described below), and additional governmental regulations concerning the marketing and labeling/packing of the beverage industry. Additional or revised regulatory requirements, whether labeling, tax or otherwise, could have a material adverse effect on Jones Soda's financial condition and results of operations. Further, increasing public concern with respect to sweetened beverages could reduce demand for Jones Soda's beverages and increase desire for more low-calorie soft drinks, water, enhanced water, coffee-flavored beverages, tea, and beverages with natural sweeteners. Jones Soda is continuously working to reduce calories and sugar in our Jones Cane Sugar products while launching new products like Lemoncocco, to pair with existing brand extensions such as Jones Sugar Free that round out our diversified portfolio.

Legislative or regulatory changes that affect our products, including new taxes, could reduce demand for products or increase our costs.

Taxes imposed on the sale of certain of Jones Soda's products by federal, state and local governments in the United States, or other countries in which the company operates could cause consumers to shift away from purchasing Jones Soda's beverages. Several municipalities in the United States have implemented or are considering implementing taxes on the sale of certain "sugared" beverages, including non-diet soft drinks, fruit drinks, teas and flavored waters to help fund various initiatives. These taxes could materially affect Jones Soda's business and financial results.

Jones Soda's ability to develop and commercialize CBD-infused beverages and comply with laws and regulations governing cannabis, hemp or related products.

As of December 31, 2020, approximately forty states authorized industrial hemp programs pursuant to the Farm Bill. Continued development of the industrial hemp and cannabis industries will be dependent upon new legislative authorization of industrial hemp and cannabis at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp and cannabis industries is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where Jones Soda has business interests. Any one of these factors could slow or halt use of industrial hemp and cannabis, which could negatively impact Jones Soda's business and

financial results. In addition, the manufacture, labeling and distribution of Jones Soda's products is regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of Jones Soda's product claims or the ability to sell products in the future. The FDA regulates Jones Soda's products to ensure that the products are not adulterated or misbranded. In particular, Jones Soda would be subject to regulation by the federal government and other state and local agencies as a result of the development and commercialization of cannabidiol (CBD) products. The shifting compliance environment and the need to build and maintain robust systems to comply with different compliance in multiple jurisdictions increases the possibility that Jones Soda may violate one or more of the requirements. If Jones Soda's operations are found to be in violation of any of such laws or any other governmental regulations that apply to its business, Jones Soda may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, any of which could adversely affect the ability of Jones Soda to operate its business or negatively effect Jones Soda's financial results.

Risk Factors Relating to Jones Soda's Business Operations and Financial Results

Jones Soda's reliance on distributors, retailers and brokers could affect its ability to efficiently and profitably distribute and market its products, maintain its existing markets and expand its business into other geographic markets.

Jones Soda's ability to maintain and expand its existing markets for its products, and to establish markets in new geographic distribution areas, is dependent on its ability to establish and maintain successful relationships with reliable distributors, retailers and brokers strategically positioned to serve those areas. Most of Jones Soda's distributors, retailers and brokers sell and distribute competing products, including non-alcoholic and alcoholic beverages, and its products may represent a small portion of their businesses. The success of this network will depend on the performance of the distributors, retailers and brokers of this network. There is a risk that the mentioned entities may not adequately perform their functions within the network by, without limitation, failing to distribute to sufficient retailers or positioning Jones Soda's products in localities that may not be receptive to such products. Jones Soda's ability to incentivize and motivate distributors to manage and sell its products is affected by competition from other beverage companies who have greater resources than Jones Soda does. To the extent that Jones Soda's distributors, retailers and brokers are distracted from selling its products or do not employ sufficient efforts in managing and selling its products, including re-stocking the retail shelves with its products, Jones Soda's sales and results of operations could be adversely affected. Furthermore, such third-parties' financial position or market share may deteriorate, which could adversely affect Jones Soda's distribution, marketing and sales activities.

Jones Soda's ability to maintain and expand its distribution network and attract additional distributors, retailers and brokers will depend on a number of factors, some of which are outside of Jones Soda's control. Some of these factors include:

- the level of demand for Jones Soda's brands and products in a particular distribution area;

- Jones Soda's ability to price its products at levels competitive with those of competing products; and
- Jones Soda's ability to deliver products in the quantity and at the time ordered by distributors, retailers and brokers.

Jones Soda may not be able to successfully manage all or any of these factors in any of its current or prospective geographic areas of distribution. Jones Soda's inability to achieve success with regards to any of these factors in a geographic distribution area will have a material adverse effect on its relationships in that particular geographic area, thus limiting Jones Soda's ability to maintain or expand its market, which will likely adversely affect its revenues and financial results.

Jones Soda incurs significant time and expense in attracting and maintaining key distributors.

Jones Soda's marketing and sales strategy depends in large part on the availability and performance of its independent distributors. Jones Soda currently does not have, nor does it anticipate in the future that it will be able to establish, long-term contractual commitments from some of its current distributors. Jones Soda may not be able to maintain its current distribution relationships or establish and maintain successful relationships with distributors in new geographic distribution areas. Moreover, there is the additional possibility that Jones Soda may have to incur additional expenditures to attract and maintain key distributors in one or more of its geographic distribution areas in order to profitably exploit our geographic markets.

If Jones Soda loses any of its key distributors or national retail accounts, its financial condition and results of operations could be adversely affected.

For the year ended December 31, 2020, A. Lassonde Inc. ("Lassonde"), one of Jones Soda's independent distributors and its top account by revenue represented approximately 24% of revenue. Jones Soda continually seeks to expand and upgrade its distributor network, DTR accounts and national retail relationships. However, Jones Soda may not be able to maintain its key distributor base. The loss of any of Jones Soda's key distributors (such as Lassonde) or national accounts would have a material adverse effect on Jones Soda's revenues, liquidity and financial results, could negatively impact its ability to retain its relationships with its other distributors and its ability to expand its market, and would place increased dependence on its other independent distributors and national accounts.

It is difficult to predict the timing and amount of our sales because our distributors are not required to place minimum orders with us.

Jones Soda's independent distributors and national accounts are not required to place minimum monthly or annual orders for Jones Soda's products. In order to reduce their inventory costs, independent distributors typically order products from Jones Soda on a "just in time" basis in quantities and at such times based on the demand for the products in a particular distribution area. Accordingly, Jones Soda cannot predict the timing or quantity of purchases by any of its independent distributors or whether any of its distributors will continue to purchase products from Jones Soda in the same frequencies and volumes as they may have done in the past.

Additionally, Jones Soda's larger distributors and national partners, may make orders that are larger than Jones Soda historically has been required to fill. Shortages in inventory levels, supply of raw materials or other key supplies could negatively affect Jones Soda.

If Jones Soda does not adequately manage its inventory levels, its operating results could be adversely affected.

Jones Soda needs to maintain adequate inventory levels to be able to deliver products to distributors on a timely basis. Jones Soda's inventory supply depends on its ability to correctly estimate demand for its products. Jones Soda's ability to estimate demand for its products is imprecise, particularly for new products, seasonal promotions and new markets. If Jones Soda materially underestimates demand for its products or are unable to maintain sufficient inventory of raw materials, Jones Soda might not be able to satisfy demand on a short-term basis. If Jones Soda overestimates distributor or retailer demand for its products, Jones Soda may end up with too much inventory, resulting in higher storage costs, increased trade spend and the risk of inventory spoilage. If Jones Soda fails to manage its inventory to meet demand, Jones Soda could damage its relationships with its distributors and retailers and could delay or lose sales opportunities, which would unfavorably impact Jones Soda's future sales and adversely affect its operating results. In addition, if the inventory of Jones Soda's products held by its distributors and retailers is too high, they will not place orders for additional products, which would also unfavorably impact Jones Soda's sales and adversely affect its operating results.

If Jones Soda fails to maintain relationships with its independent contract manufacturers, its business could be harmed.

Jones Soda does not manufacture its products but instead outsources the manufacturing process to third-party bottlers and independent contract manufacturers (co-packers). Jones Soda does not own the plants or the majority of the equipment required to manufacture and package its beverage products, and Jones Soda does not anticipate bringing the manufacturing process in-house in the future. Jones Soda's ability to maintain effective relationships with contract manufacturers and other third parties for the production and delivery of its beverage products in a particular geographic distribution area is important to the success of its operations within each distribution area. Competition for contract manufacturers' business is intense, especially in the western United States, and this could make it more difficult for Jones Soda to obtain new or replacement manufacturers, or to locate back-up manufacturers, in our various distribution areas, and could also affect the economic terms of Jones Soda's agreements with its existing manufacturers. Jones Soda may not be able to maintain its relationships with current contract manufacturers or establish satisfactory relationships with new or replacement contract manufacturers, whether in existing or new geographic distribution areas. The failure to establish and maintain effective relationships with contract manufacturers for a distribution area could increase Jones Soda's manufacturing costs and thereby materially reduce gross profits from the sale of Jones Soda's products in that area. Poor relations with any of Jones Soda's contract manufacturers could adversely affect the amount and timing of product delivered to Jones Soda's distributors for resale, which would in turn adversely affect Jones Soda's revenues and financial condition. In addition, Jones Soda's agreements with our contract manufacturers are terminable at any time, and any such termination could disrupt Jones Soda's ability to deliver products to our customers.

Jones Soda's dependence on independent contract manufacturers could make management of its manufacturing and distribution efforts inefficient or unprofitable.

Jones Soda is expected to arrange for its contract manufacturing needs sufficiently in advance of anticipated requirements, which is customary in the contract manufacturing industry for comparably sized companies. Based on the cost structure and forecasted demand for the particular geographic area where Jones Soda's contract manufacturers are located, Jones Soda continually evaluates which of its contract manufacturers to use. To the extent demand for Jones Soda's products exceeds available inventory or the production capacity of its contract manufacturing arrangements, or orders are not submitted on a timely basis, Jones Soda will be unable to fulfill distributor orders on demand. Conversely, Jones Soda may produce more product inventory than warranted by the actual demand for it, resulting in higher storage costs and the potential risk of inventory spoilage. Jones Soda's failure to accurately predict and manage its contract manufacturing requirements and its inventory levels may impair relationships with its independent distributors and key accounts, which, in turn, would likely have a material adverse effect on Jones Soda's ability to maintain effective relationships with those distributors and key accounts.

Increases in costs or shortages of raw materials could harm Jones Soda's business and financial results.

The principal raw materials Jones Soda uses include glass bottles, aluminum cans, labels and cardboard cartons, aluminum closures, flavorings, sucrose/inverted pure cane sugar and sucralose. In addition, certain of Jones Soda's contract manufacturing arrangements allow such contract manufacturers to increase their charges to Jones Soda based on their own cost increases. These manufacturing and ingredient costs are subject to fluctuation. Substantial increases in the prices of our ingredients, raw materials and packaging materials, to the extent that they cannot be recouped through increases in the prices of finished beverage products, would increase Jones Soda's operating costs and could reduce the company's profitability. If Jones Soda's supply of these raw materials is impaired or if prices increase significantly, it could affect the affordability of Jones Soda's products and reduce sales.

The beverage industry has experienced increased prices for glass bottles over the last several years and the availability of glass supply diminished for companies not under contract. Jones Soda's fixed-price purchase commitment for glass, which helps mitigate the risk of unexpected price increases, expires at the end of 2022. The prices of any of the above or any other raw materials or ingredients may continue to rise in the future. Due to the price sensitivity of our products, Jones Soda may not be able to pass such increases on to our customers, which could have a material adverse effect on its business and financial results.

If Jones Soda is unable to secure sufficient ingredients or raw materials including glass, sugar, and other key supplies, Jones Soda might not be able to satisfy demand on a short-term basis. Moreover, in the past there have been industry-wide shortages of certain concentrates, supplements and sweeteners and these shortages could occur again from time to time in the future, which could interfere with and delay production of Jones Soda's products and could have a material adverse effect on Jones Soda's business and financial results.

In addition, suppliers could fail to provide ingredients or raw materials on a timely basis, or fail to meet Jones Soda's performance expectations, for a number of reasons, including, for example, disruption to the global supply chain as a result of the COVID-19 pandemic, which could cause a serious disruption to Jones Soda's business, increase its costs, decrease its operating efficiencies and have a material adverse effect on Jones Soda's business, results of operations and financial condition.

Increases in costs of energy and increased regulations may have an adverse impact on Jones Soda's gross margin.

Over the past few years, volatility in the global oil markets has resulted in high fuel prices, which many shipping companies have passed on to their customers by way of higher base pricing and increased fuel surcharges. If fuel prices increase, Jones Soda expects to experience higher shipping rates and fuel surcharges, as well as energy surcharges on our raw materials. It is hard to predict what will happen in the fuel markets in 2021 and beyond. Due to the price sensitivity of Jones Soda's products, the company may not be able to pass such increases on to its customers.

Disruption within Jones Soda's supply chain, contract manufacturing or distribution channels could have an adverse effect on its business, financial condition and results of operations.

Jones Soda's ability, through its suppliers, business partners, contract manufacturers, independent distributors and retailers, to make, move and sell products is critical to the company's success. Damage or disruption to Jones Soda's suppliers or to manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics such as influenza and the COVID-19 pandemic, labor strikes or other reasons, could impair the manufacture, distribution and sale of Jones Soda's products. Many of these events are outside of Jones Soda's control. Failure to take adequate steps to protect against or mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect Jones Soda's business, financial condition and results of operations.

Jones Soda relies upon our ongoing relationships with its key flavor suppliers. If Jones Soda is unable to source its flavors on acceptable terms from its key suppliers, Jones Soda could suffer disruptions in its business.

Jones Soda currently purchases its flavor concentrate from various flavor concentrate suppliers, and continually develop other sources of flavor concentrate for each of its products. Generally, flavor suppliers hold the proprietary rights to their flavors. Although Jones Soda has the exclusive rights to flavor concentrates developed with its current flavor concentrate suppliers, Jones Soda does not have the list of ingredients or formulas for its flavors and concentrates. Consequently, Jones Soda may be unable to obtain these same flavors or concentrates from alternative suppliers on short notice. If Jones Soda has to replace a flavor supplier, the company could experience disruptions in its ability to deliver products to its customers, which could have a material adverse effect on its results of operations.

If Jones Soda is unable to attract and retain key personnel, its efficiency and operations would be adversely affected; in addition, management turnover causes uncertainties and could harm Jones Soda's business.

Jones Soda's success depends on its ability to attract and retain highly qualified employees in such areas as finance, sales, marketing and product development. Jones Soda competes to hire new employees, and, in some cases, must train them and develop their skills and competencies. Jones Soda may not be able to provide its employees with competitive salaries, and its operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs.

Recently, Jones Soda has experienced significant changes in its key personnel, especially on its executive team, and more could occur in the future. Changes to operations, policies and procedures, which can often occur with the appointment of new personnel, can create uncertainty, may negatively impact our ability to execute quickly and effectively, and may ultimately be unsuccessful. In addition, management transition periods are often difficult as the new employees gain detailed knowledge of Jones Soda's operations, and friction can result from changes in strategy and management style. Management turnover inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. Until Jones Soda integrates new personnel, and unless they are able to succeed in their positions, Jones Soda may be unable to successfully manage and grow its business, and its financial condition and profitability may suffer.

Further, to the extent Jones Soda experiences additional management turnover, its operations, financial condition and employee morale could be negatively impacted. In addition, competition for top management is high and it may take months to find a candidate that meets Jones Soda's requirements. If Jones Soda is unable to attract and retain qualified management personnel, its business could suffer. Moreover, Jones Soda's operations could be negatively affected if employees are quarantined as the result of exposure to a contagious illness such as COVID-19.

If Jones Soda loses the services of its Chief Executive Officer or its Chief Operating Operator, its operations could be disrupted and its business could be harmed.

Jones Soda's business plan relies significantly on the continued services of Mark Murray, who we hired as the company's Chief Executive Officer in December 2020, and on the continued services of Eric Chastain, Jones Soda's Chief Operating Officer, who was appointed as the Company's Chief Operating Officer effective June 2014 and has been with the company for nearly 20 years. If Jones Soda were to lose the services of Mr. Murray or Mr. Chastain, the company's ability to execute its business plan could be materially impaired. Jones Soda is not aware of any facts or circumstances that suggest they might leave the Company.

If we fail to protect our trademarks and trade secrets, we may be unable to successfully market our products and compete effectively.

Jones Soda relies on a combination of trademark and trade secrecy laws, confidentiality procedures and contractual provisions to protect its intellectual property rights. The failure if Jones Soda to protect its intellectual property could harm its brand and its reputation, and

adversely affect the company's ability to compete effectively. Further, enforcing or defending Jones Soda's intellectual property rights, including its trademarks, copyrights, licenses and trade secrets, could result in the expenditure of significant financial and managerial resources. Jones Soda regards its intellectual property, particularly its trademarks and trade secrets to be of considerable value and importance to its business and its success, and Jones Soda actively pursues the registration of its trademarks in the United States, Canada and internationally. However, the steps taken by Jones Soda to protect these proprietary rights may not be adequate and may not prevent third parties from infringing or misappropriating its trademarks, trade secrets or similar proprietary rights. In addition, other parties may seek to assert infringement claims against Jones Soda, and it may have to pursue litigation against other parties to assert its rights. Any such claim or litigation could be costly. In addition, any event that would jeopardize Jones Soda's proprietary rights or any claims of infringement by third parties could have a material adverse effect on Jones Soda's ability to market or sell its brands, profitably exploit its products or recoup its associated research and development costs.

As part of the licensing strategy of its brands, Jones Soda enters into licensing agreements under which it grants its licensing partners certain rights to use its trademarks and other designs. Although its agreements require that the use of its trademarks and designs is subject to its control and approval, any breach of these provisions, or any other action by any of our licensing partners that is harmful to its brands, goodwill and overall image, could have a material adverse impact on Jones Soda's business.

If Jones Soda encounters product recalls or other product quality issues, its business may suffer.

Product quality issues, real or imagined, or allegations of product contamination, even when false or unfounded, could tarnish Jones Soda's image and could cause consumers to choose other products. In addition, because of changing government regulations or implementation thereof, or allegations of product contamination, Jones Soda may be required from time to time to recall products entirely or from specific markets. Product recalls could affect the company's profitability and could negatively affect brand image.

Jones Soda could be exposed to product liability claims.

Although Jones Soda has product liability and basic recall insurance, insurance coverage may not be sufficient to cover all product liability claims that may arise. To the extent its product liability coverage is insufficient, a product liability claim would likely have a material adverse effect upon Jones Soda's financial condition. In addition, any product liability claim brought against Jones Soda may materially damage the reputation and brand image of its products and business.

Jones Soda's business is subject to many regulations and noncompliance is costly.

The production, marketing and sale of Jones Soda's beverages, including contents, labels, caps and containers, are subject to the rules and regulations of various federal, provincial, state and local health agencies. If a regulatory authority finds that a current or future product or production batch or "run" is not in compliance with any of these regulations, Jones Soda may be fined, or production may be stopped, which would adversely affect its financial condition and results of

operations. Similarly, any adverse publicity associated with any noncompliance may damage Jones Soda's reputation and its 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 cannot anticipate 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 a material adverse effect on our financial condition and results of operations.

Significant additional labeling or warning requirements may inhibit sales of affected products.

Various jurisdictions may seek to adopt significant additional product labeling or warning requirements relating to the chemical content or perceived adverse health consequences of certain of Jones Soda's products. These types of requirements, if they become applicable to one or more of Jones Soda's products under current or future environmental or health laws or regulations, may inhibit sales of such products. In California, a law requires that a specific warning appear on any product that contains a component listed by the state as having been found to cause cancer or birth defects. This law recognizes no generally applicable quantitative thresholds below which a warning is not required. If a component found in one of our products is added to the list, or if the increasing sensitivity of detection methodology that may become available under this law and related regulations as they currently exist, or as they may be amended, results in the detection of an infinitesimal quantity of a listed substance in one of the company's beverages produced for sale in California, the resulting warning requirements or adverse publicity could affect Jones Soda's sales.

Litigation or legal proceedings could expose us to significant liabilities and damage Jones Soda's reputation.

Jones Soda may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distraction of management attention away from Jones Soda's business operations. Jones Soda evaluates litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by Jones Soda's current assessments and estimates. Jones Soda's policies and procedures require strict compliance by the company's employees and agents with all U.S. and local laws and regulations applicable to Jones Soda's business operations, including those prohibiting improper payments to government officials. Nonetheless, Jones Soda's policies and procedures may not ensure full compliance by its employees and agents with all applicable legal requirements. Improper conduct by Jones Soda's employees or agents could damage its reputation or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

Jones Soda is subject to risks inherent in sales of products in international markets.

Jones Soda's operations outside of the United States, contribute to the company's revenue and profitability, and Jones Soda believes that developing new markets could present future growth opportunities for us. However, there can be no assurance that existing or new products that Jones Soda manufactures, distributes or sells will be accepted or be successful in any particular foreign market, due to local or global competition, product price, cultural differences, consumer preferences or otherwise. There are many factors that could adversely affect demand for Jones Soda's products in foreign markets, including the company's inability to attract and maintain key distributors in these markets; volatility in the economic growth of certain of these markets; changes in economic, political or social conditions, the status and renegotiations of the North American Free Trade Agreement, imposition of new or increased labeling, product or production requirements, or other legal restrictions; restrictions on the import or export of Jones Soda's products or ingredients or substances used in our products; inflationary currency, devaluation or fluctuation; increased costs of doing business due to compliance with complex foreign and U.S. laws and regulations. If Jones Soda is unable to effectively operate or manage the risks associated with operating in international markets, its business, financial condition or results of operations could be adversely affected.

Climate change may negatively affect Jones Soda's business.

There is growing concern that a gradual increase in global average temperatures may cause an adverse change in weather patterns around the globe resulting in an increase in the frequency and severity of natural disasters. While warmer weather has historically been associated with increased sales of Jones Soda's products, changing weather patterns could have a negative impact on agricultural productivity, which may limit availability or increase the cost of certain key ingredients such as sugar cane, natural flavors and supplements used in the company's products. Also, increased frequency or duration of extreme weather conditions may disrupt the operation of Jones Soda's supply chain or impact demand for its products. In addition, the increasing concern over climate change may result in more regional, federal and global legal and regulatory requirements and could result in increased production, transportation and raw material costs. As a result, the effects of climate change could have a long-term adverse impact on Jones Soda's business and results of operations.

Jones Soda's business and operations would be adversely impacted in the event of a failure or interruption of its information technology infrastructure or as a result of a cybersecurity attack.

The proper functioning of Jones Soda's own information technology (IT) infrastructure is critical to the efficient operation and management of its business. Jones Soda may not have the necessary financial resources to update and maintain its IT infrastructure, and any failure or interruption of its IT system could adversely impact its operations. In addition, Jones Soda's IT is vulnerable to cyberattacks, computer viruses, worms and other malicious software programs, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering with its computer systems. Jones Soda believes that it has adopted appropriate measures to mitigate potential risks to its technology infrastructure and its operations from these IT-related and other potential disruptions. However, given the unpredictability of the timing, nature and

scope of any such IT failures or disruptions, Jones Soda could potentially be subject to downtimes, transactional errors, processing inefficiencies, operational delays, other detrimental impacts on its operations or ability to provide products to its customers, the compromising of confidential or personal information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on its cash flows, competitive position, financial condition or results of operations.

Jones Soda's results of operations may fluctuate from quarter to quarter for many reasons, including seasonality.

Jones Soda's sales are seasonal and we experience fluctuations in quarterly results as a result of many factors. Jones Soda historically has generated a greater percentage of its revenues during the warm weather months of April through September. Timing of customer purchases will vary each year and sales can be expected to shift from one quarter to another. As a result, management believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the fiscal year.

In addition, Jones Soda's operating results may fluctuate due to a number of other factors including, but not limited to:

- Jones Soda's ability to maintain, develop and expand distribution channels for current and new products, develop favorable arrangements with third party distributors of its products and minimize or reduce issues associated with engaging new distributors and retailers, including, but not limited to, transition costs and expenses and down time resulting from the initial deployment of our products in each new distributor's network;
- Unilateral decisions by distributors, grocery store chains, specialty chain stores, club stores, mass merchandisers and other customers to discontinue carrying all or any of the company's products that they are carrying at any time;
- Jones Soda's ability to maintain, develop and expand our direct-to-retail sales channels and national retail accounts, as well as our "myJones" business;
- Jones Soda's ability to manage its resources to sufficiently support general operating activities, promotion allowances and slotting fees, promotion and selling activities, and capital expansion, and its ability to sustain profitability;
- Jones Soda's ability to meet the competitive response by much larger, well-funded and established companies currently operating in the beverage industry, as Jones Soda introduces new competitive products, such as Lemoncocco and its fountain products; and
- Competitive products and pricing pressures and our ability to gain or maintain share of sales in the marketplace as a result of actions by competitors.

Due to these and other factors, our results of operations have fluctuated from period to period and may continue to do so in the future, which could cause our operating results in a particular quarter to fail to meet market expectations.

Jones Soda's business and periodic financial results can be affected by currency rate fluctuations, because a significant percentage of its business is in Canada.

A significant percentage of Jones Soda's sales are conducted through its Canadian subsidiary, for which Jones Soda receives revenues in Canadian dollars. In addition, a significant percentage of Jones Soda's costs of goods are denominated in Canadian dollars, due to its co-packing facility in Canada. Because of this Jones Soda is affected by changes in U.S. exchange rates with the Canadian dollar.

In preparing Jones Soda's consolidated financial statements, certain financial information is required to be translated from Canadian dollars to U.S. dollars. The translation of Jones Soda's Canadian revenues, cash and other assets is adversely affected when the United States dollar strengthens against the Canadian dollar and is positively affected when the U.S. dollar weakens. Similarly, translation of Jones Soda's Canadian expenses and liabilities is positively affected when the U.S. dollar strengthens against the Canadian dollar and adversely affected when the U.S. dollar weakens. This exposure to foreign currency risk could significantly affect Jones Soda's revenues and profitability from its Canadian operations and could result in significant fluctuations to its periodic income statements and consolidated balance sheets.

Jones Soda cannot predict future changes in these exchange rates. Jones Soda does not engage in foreign currency hedging transactions.

Changes in Jones Soda's effective tax rate may impact its results of operations.

Jones Soda are subject to taxes in the U.S. and other jurisdictions. Tax rates in these jurisdictions may be subject to significant change due to economic and/or political conditions. A number of other factors may also impact our future effective tax rate including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in valuation of our deferred tax assets and liabilities;
- increases in expenses not deductible for tax purposes, including write-offs of acquired
- intangibles and impairment of goodwill in connection with acquisitions;
- changes in availability of tax credits, tax holidays, and tax deductions;
- changes in share-based compensation; and
- changes in tax laws or the interpretation of such tax laws and changes in generally accepted accounting principles.

In December 2017, President Trump signed into law legislation that significantly revised the Internal Revenue Code. In addition, on March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”) was signed into law. The December 2017 law, as modified by the CARES Act, among other things, contained significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21% beginning in 2018, limitation of the tax deduction for interest expense to 30% of adjusted earnings, limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks for tax years beginning in 2021, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions). Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax laws remain uncertain and Jones Soda’s business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax laws. The impact of this tax reform on holders of Jones Soda Shares is also uncertain and could be adverse. Jones Soda urges shareholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding Jones Soda Shares.

Global economic, political, social and other conditions, including the COVID-19 pandemic, may continue to adversely impact Jones Soda’s business and results of operations.

The beverage industry, and particularly those companies selling premium beverages like Jones Soda, can be affected by macro-economic factors, including changes in national, regional, and local economic conditions, unemployment levels and consumer spending patterns, which together may impact the willingness of consumers to purchase Jones Soda’s products as they adjust their discretionary spending. Adverse economic conditions may adversely affect the ability of Jones Soda’s distributors to obtain the credit necessary to fund their working capital needs, which could negatively impact their ability or desire to continue to purchase products from Jones Soda in the same frequencies and volumes as they have done in the past. If Jones Soda experiences similar adverse economic conditions in the future, sales of Jones Soda’s products could be adversely affected, collectability of accounts receivable may be compromised and Jones Soda face obsolescence issues with its inventory, any of which could have a material adverse impact on its operating results and financial condition.

Additionally, while the extent of the impact on our business and financial condition is unknown at this time, Jones Soda may be negatively affected by the COVID-19 pandemic and actions taken to address and limit the spread of COVID-19, such as travel restrictions, event cancellations, and limitations affecting the supply of labor and the movement of raw materials and finished products. If available manufacturing capacity is reduced as a result of the COVID-19 pandemic, it could negatively affect the timely supply, pricing and availability of finished products. Moreover, Jones Soda will also be negatively impacted by current and future closures of restaurants, independent accounts, convenience chains, and retail store chains resulting from the COVID-19 pandemic. The current closures of restaurants and independent accounts will negatively affect Jones Soda’s revenues and cash flows with respect to its fountain business, which comprised approximately 5% and 9% of our revenues in 2020 and 2019, respectively.

Although retail locations and restaurants have begun to reopen following the closures imposed as a result of the COVID-19 pandemic, such establishments are required to comply with certain COVID-19 protocols and their future prospects remain unknown at this time; any decrease in business at these types of locations would adversely impact Jones Soda's business and financial condition.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect Jones Soda's financial results.

The United States generally accepted accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of matters that are relevant to Jones Soda's business, such as, but not limited to, stock-based compensation, trade spend and promotions, and income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes to these rules or their interpretation or changes in underlying assumptions, estimates or judgments by Jones Soda's management could significantly change the company's reported results.

If Jones Soda is unable to maintain effective disclosure controls and procedures and internal control over financial reporting, its stock price and investor confidence could be materially and adversely affected.

Jones Soda is required to maintain both disclosure controls and procedures and internal control over financial reporting that are effective. Because of their inherent limitations, internal control over financial reporting, however well designed and operated, can only provide reasonable, and not absolute, assurance that the controls will prevent or detect misstatements. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that Jones Soda's controls will succeed in achieving their goals under all potential future conditions. The failure of controls by design deficiencies or absence of adequate controls could result in a material adverse effect on Jones Soda's business and financial results, which could also negatively impact its stock price and investor confidence.

The terms of the note purchase agreement entered into by Jones Soda in 2018 may limit the company's ability to approve certain actions.

During the first half of 2018, Jones Soda issued an aggregate principal amount of \$2,920,000 of Subordinated Notes, pursuant to the terms of a note purchase agreement. In accordance with such note purchase agreement, Jones Soda agreed not to take certain actions without the approval of holders of not less than a majority-in-interest of the principal amount of the Subordinated Notes (the "**Required Holders**") while such Subordinated Notes remain outstanding. Such actions include (a) liquidating, dissolving or winding up the affairs of the company; (b) purchasing or redeeming or paying any cash dividend on any of our capital stock; (c) effecting a material acquisition by us, unless otherwise approved by Jones Soda's Board of Directors and each of the MHP Directors (as defined in the note purchase agreement); (d) increasing the size of Jones Soda's Board of Directors; (e) increasing Jones Soda's equity incentive plan by more than 10% of the amount reserved for the prior fiscal year without the approval of the Board of Directors and each of the MHP Directors (as defined in the note purchase agreement); (f) entering into any

transaction with any affiliate, officer, director, employee or holder of more than five percent (5%) of our capital stock, calculated on a fully diluted basis; or (g) terminating, or allowing to be terminated or suspended, the listing of the shares of common stock issuable upon the conversion of the Subordinated Notes on the trading market. If requested by us, the Required Holders may elect not to allow us to take these actions. In the event that we are unable to take these actions, the interests of the company and our shareholders may be materially and adversely affected.

The terms of the investor rights agreement entered into by Jones Soda in 2019 may limit the company's ability to approve certain actions.

On July 11, 2019 in connection with our financing with Heavenly Rx Ltd., Jones Soda entered into an investor rights agreement (previously defined as the "IRA"). Pursuant to the IRA, Jones Soda and the SPA Shareholders agreed to cause the Board to be set at seven (7) directors, and, if the investor holders 25% or more of the voting securities of the Corporation (including voting securities held by its Affiliates (which includes SOL Global Investment Corp.)), the Investor will have the right to designate two members of the Board (previously defined as the "Investor Designees"). Under the IRA, the Corporation agreed not to take the actions without the approval of the members of Jones Soda's Board of Directors designated by Heavenly Rx Ltd., if any, for so long as any Investor Designee serves on the Jones Soda Board of Directors. Such actions include (a) amending, altering, repealing or waiving any provision of or articles of incorporation or bylaws or similar governance documents of our subsidiaries; (b) offering or selling any securities (with certain exceptions); (c) creating, or authorizing the creation of, or issuing, authorizing the issuance of or changing the terms of any debt security, creating any lien or security interest or incurring debt, or permitting any subsidiary to do the same (with certain exceptions); (d) effecting, authorizing or consenting to any change of control transaction; (e) changing our strategy or principal lines of business or any of our subsidiaries; (f) liquidating or dissolving or acquiescing in the filing of a petition in bankruptcy or similar proceeding; (g) committing to or making any expenditures in excess of \$1,000,000 in one or a series of transactions; or (h) committing to do any of the foregoing. If requested by us, the Investor Designees may elect not to allow Jones Soda to take these actions. In the event that Jones Soda is unable to take these actions, the company's interests and those of its shareholders may be materially and adversely affected. As of the date hereof, the Investor does not hold such 25% of the voting securities of the Corporation.

The recent resignation of Jones Soda's independent accounting firm could delay the company's future SEC filings and adversely affect the company's business.

On September 9, 2021, BDO USA, LLP resigned as Jones Soda's independent registered public accounting firm, and on September 30, 2021, through and with the approval of Jones Soda's audit committee, the company appointed Armanino LLP as its new independent registered public accounting firm. The process of engaging and onboarding a new accounting firm can be costly and time consuming for management. While Jones Soda does not expect the change in auditors to delay our future filings with the SEC, such a delay is possible if the company is unable to timely engage and onboard the new accounting firm. These events could adversely affect Jones Soda's financial condition and results of operations or impact our ability to obtain financing.

The terms of the Convertible Debenture limit Jones Soda's ability to take certain actions.

Under the terms of the Convertible Debenture, Jones Soda is subject to certain affirmative covenants, including the requirement that the company makes payments in a timely manner, performs the other covenants under the Convertible Debenture, maintains its corporate existence, conducts its business in material compliance with applicable laws, use the proceeds for the costs and expenses related to the transactions outlined in the Arrangement Agreement and to pursue the production of cannabis-containing beverages and related products, maintain the company's books and records, pay our taxes, maintain our insurance, provide notice of any event of default, and reserve and keep available sufficient shares for issuance upon the conversion of the Convertible Debenture. In addition, Jones Soda agreed not to take certain actions without the approval of the debentureholder. Such actions include (a) amending the company's articles of incorporation or bylaws; (b) except for certain shares authorized under the Convertible Debenture, offering or selling any equity or debt securities, including options, warrants or convertible securities; (c) except for a potential secured credit facility in an amount not to exceed US\$2 million, incurring indebtedness; (d) changing the strategy or principal lines of our business; (e) liquidating, dissolving or winding up our affairs; (f) entering into any transaction with any affiliate, officer, director, employee or holder of more than five percent (5%) of the company's capital stock, calculated on a fully diluted basis; (g) making any single expenditure or series of related expenditure using the proceeds from the Convertible Debenture that exceeds \$25,000, individually or in the aggregate; (h) selling, transferring or otherwise disposing of any property other than certain exceptions set forth in the Convertible Debentures; or (i) making any investment in any other person. If requested by Jones Soda, the debentureholder may elect not to allow the company to take these actions. In the event that the company is unable to take these actions, the company's interests and those of the company's shareholders may be materially and adversely affected.

Jones Soda may default on its obligations under the Convertible Debenture, which may accelerate its repayment obligations or otherwise limit its access to future financing.

If Jones Soda fails to make any payments under the Convertible Debenture when due, fail to perform any of the company's covenants or obligations under the Convertible Debenture, file for bankruptcy or become insolvent, fail to convert the Convertible Debenture in accordance with its terms, default under any of its other indebtedness or extend any loan to any officer, director, employee or holder of more than ten percent (10%) of its common stock, Jones Soda will be in default of such obligations. Any such default will increase the applicable interest rate under the Convertible Debenture from five percent (5%) to eighteen percent (18%) and could result in acceleration of the debt outstanding under the Convertible Debenture and entitle the debentureholder to bring suit for the enforcement thereof or exercise other remedies provided thereunder. If that should occur, Jones Soda may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to the company. Any such default would have a material adverse effect on Jones Soda's cash flows, competitive position, financial condition or results of operations and the company may not be able to continue operations. If Jones Soda cannot continue operations, its shareholders would likely lose most or all of their investment in the company.

Jones Soda's repayment obligations under the Convertible Debenture would be accelerated if the transaction contemplated in the Arrangement Agreement are not completed.

If for whatever reason the Arrangement Agreement is terminated, or either Jones Soda or Pinestar gives notice to the debentureholder that the transactions outlined in the Arrangement Agreement are unlikely to occur within seven months from the date of the Convertible Debenture, all outstanding principal and accrued and unpaid interest under the Convertible Debenture becomes due and payable within 60 days of such termination/notification date. Since completion of the transactions outlined in the Arrangement Agreement will be subject to several conditions, many of which are outside Jones Soda's control, there is a significant risk that such transactions will not be consummated, which would require the company to repay the entire principal amount of the Convertible Debenture on an accelerated basis. Jones Soda may not have sufficient cash reserves or have access to sufficient liquid funds to be able to cover such an obligation within such accelerated timeline, which would materially adversely affect the company's business and impact its ability to continue our operations. Even if sufficient funds were then available, making such a large payment could materially adversely affect the company's financial condition or results of operations and the company may not be able to continue operations. If the company cannot continue operations, the company's shareholders would likely lose most or all of their investment in Jones Soda.

Risk Factors Related to Jones Soda's Common Stock

The price of the Jones Soda Shares may be volatile, and a shareholder's investment in the Jones Soda Shares could suffer a decline in value.

There has been significant volatility in the volume and market price of the Jones Soda Shares, and this volatility may continue in the future. In addition, factors such as quarterly variations in Jones Soda's operating results, litigation involving the company, general trends relating to the beverage industry, actions by governmental agencies, national economic and stock market considerations as well as other events and circumstances beyond the company's control, including the effects of the COVID-19 pandemic, could have a significant impact on the future market price of the Jones Soda Shares and the relative volatility of such market price.

A prolonged decline in the price of the Jones Soda Shares could result in a reduction in the liquidity of the Jones Soda Shares and a reduction in Jones Soda's ability to raise capital. If Jones Soda were unable to raise the funds required for all of its planned operations and key initiatives, the company may be forced to allocate funds from other planned uses, which may negatively impact Jones Soda's business and operations, including the company's ability to develop new products and continue its current operations.

Any future equity or debt issuances by us may have dilutive or adverse effects on Jones Soda's existing shareholders.

From time to time, Jones Soda may issue additional shares of common stock or convertible securities. The issuance of these securities could dilute Jones Soda's shareholders' ownership in the company and may include terms that give new investors rights that are superior to those of Jones Soda's current shareholders. Moreover, any issuances by us of equity securities may be at

or below the prevailing market price of the Jones Soda Shares and in any event may have a dilutive impact on the company's shareholders' ownership interest, which could cause the market price of the Jones Soda Shares to decline.

The Jones Soda Shares are traded on the OTCQB Venture Marketplace, which may have an unfavorable impact on its stock price and liquidity.

The Jones Soda Shares are traded on the OTCQB Venture Marketplace. The OTCQB is a significantly more limited market than the national securities exchanges such as the New York Stock Exchange, the American Stock Exchange or Nasdaq system, and there are lower financial or qualitative standards that a company must meet to be listed on the OTCQB. The OTCQB market is an inter-dealer market much less regulated than the major exchanges and trading in the Jones Soda Shares may be subject to abuses, volatility and shorting, which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of the Jones Soda Shares for reasons unrelated to operating performance. The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require a broker-dealer to have reasonable grounds for believing an investment is suitable for that customer when recommending an investment to a customer. FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for some customers and may make it more difficult for broker-dealers to recommend that their customers buy the Jones Soda Shares, which may result in a limited ability to buy and sell the Jones Soda Shares. Jones Soda currently do not meet applicable listing standards of a market senior to the OTC and the company may never apply or qualify for future listing on Nasdaq or the New York Stock Exchange.

Jones Soda does not intend to pay any cash dividends on the Jones Soda Shares in the near future, so the Company's shareholders will not be able to receive a return on their shares unless they sell their shares.

Jones Soda intends to retain any future earnings to finance the development and expansion of the company's business. Jones Soda does not anticipate paying any cash dividends on the Jones Soda Shares in the foreseeable future. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless Jones Soda pays dividends, the company's shareholders will not be able to receive a return on their shares unless they sell such shares.

Anti-takeover provisions in Jones Soda's charter documents and under Washington law could make an acquisition of Jones Soda, which may be beneficial to the company's shareholders, difficult and prevent attempts by the company's shareholders to replace or remove our current management.

Provisions in Jones Soda's articles of incorporation and bylaws and under Washington law may delay or prevent an acquisition of the company or a change in the company's management. These provisions include a prohibition on shareholder actions by less than unanimous written consent, limitations on the ability of shareholders to call a special meeting of shareholders and advance notice procedures with respect to the nomination of candidates for election as directors. In addition, because Jones Soda is incorporated in Washington, the company is governed by the

provisions of Chapter 23B.19 of the Washington Business Corporation Act, which, among other things, restricts the ability of shareholders owning 10% or more of Jones Soda's outstanding voting stock from merging or combining with the company. Although Jones Soda believes these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with the Jones Soda Board of Directors, they would apply even if an offer may be considered beneficial by some shareholders. In addition, these provisions may frustrate or prevent any attempts by Jones Soda's shareholders to replace or remove the company's current management by making it difficult for shareholders to replace members of the Jones Soda Board of Directors, which is responsible for appointing the members of the company's management.

Anti-takeover provisions in Jones Soda's charter documents and under Washington law could make an acquisition of Jones Soda, which may be beneficial to the company's shareholders, difficult and prevent attempts by the company's shareholders to replace or remove our current management.

Provisions in Jones Soda's articles of incorporation and bylaws and under Washington law may delay or prevent an acquisition of the company or a change in the company's management. These provisions include a prohibition on shareholder actions by less than unanimous written consent, limitations on the ability of shareholders to call a special meeting of shareholders and advance notice procedures with respect to the nomination of candidates for election as directors. In addition, because Jones Soda is incorporated in Washington, the company is governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act, which, among other things, restricts the ability of shareholders owning 10% or more of Jones Soda's outstanding voting stock from merging or combining with the company. Although Jones Soda believes these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with the Jones Soda Board of Directors, they would apply even if an offer may be considered beneficial by some shareholders. In addition, these provisions may frustrate or prevent any attempts by Jones Soda's shareholders to replace or remove the company's current management by making it difficult for shareholders to replace members of the Jones Soda Board of Directors, which is responsible for appointing the members of the company's management.

Risk Factors Related to Entrance into the Cannabis Industry

Companies that operate in the cannabis industry face unique and evolving risks

If Jones Soda expands its business to the production or sale of cannabis containing beverages, edibles and related products as currently planned, the company and its operations may be adversely effected by the risks faced by companies operating in the cannabis industry, including but not limited to, the following:

Marijuana remains illegal under United States federal law

Marijuana is a Schedule-I controlled substance under the Controlled Substances Act, or CSA, and is illegal under federal law. It remains illegal under United States federal law to grow,

cultivate, manufacture, sell or possess marijuana for any purpose or to assist or conspire with those who do so. Additionally, 21 U.S.C. 856 a.1. states that it shall be unlawful to “knowingly open, lease, rent, use, or maintain any place, whether permanently or temporarily, for the purpose of manufacturing, distributing, or using any controlled substance.” Even in those states in which the use of marijuana has been authorized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not preempted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely adversely affect demands for any cannabis products Jones Soda develops.

Additionally, United States federal law provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state, then this could exert downward pressure on the retail price for products. A substantial increase in retail licenses offered by state authorities in any given state could result in increased competition and exert downward pressure on the retail pricing. If cultivation and production in a state fails to match demand, there could be insufficient supply of product in a state to meet demand, causing retail revenue in that state to fall or stagnate, including due to retail locations closing while supply is increased.

Uncertainty of federal enforcement

On January 4, 2018, former Attorney General Sessions rescinded the previously issued memoranda (known as the “**Cole Memorandum**”) from the U.S. Department of Justice (“**DOJ**”) that had de-prioritized the enforcement of federal law against marijuana users and businesses that comply with state marijuana laws, adding uncertainty to the question of how the federal government will choose to enforce federal laws regarding marijuana. Former Attorney General Sessions issued a memorandum to all United States Attorneys in which the DOJ affirmatively rescinded the previous guidance as to marijuana enforcement, calling such guidance “unnecessary.” This one-page memorandum was vague in nature, stating that federal prosecutors should use established principles in setting their law enforcement priorities. Under previous administrations, the DOJ indicated that those users and suppliers of medical marijuana who complied with state laws, which required compliance with certain criteria, would not be prosecuted. On November 7, 2018, Jeff Sessions resigned from his position as Attorney General. The current Attorney General, Merrick Garland, has not indicated any change in enforcement priority for state-compliant marijuana businesses, however, substantial uncertainty regarding federal enforcement remains. Regardless, the federal government has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the Cole Memorandum does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future. As a result, it is now unclear if the DOJ will seek to enforce the CSA against those users and suppliers who comply with state marijuana laws.

In 2014, Congress passed a spending bill (the “**2015 Appropriations Bill**”), containing a provision, the Leahy Amendment, blocking federal funds and resources allocated under

the 2015 Appropriations Bill from being used to “prevent such States from implementing their own State medical marijuana law.” The Leahy Amendment provided a budgetary constraint on the federal government from interfering with the ability of states to administer their medical marijuana laws, although it did not codify federal protections for medical marijuana patients and producers. Moreover, despite the Leahy Amendment, the DOJ maintains that it can still prosecute violations of the federal marijuana ban and continue cases already in the courts. However, the Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the DOJ cannot prosecute medical marijuana operators complying strictly with state medical marijuana laws. Additionally, the Leahy Amendment must be re-enacted every year. The Leahy Amendment was renewed on December 27, 2020 through the signing of the fiscal year 2021 omnibus spending bill, effective through September 30, 2021, continued re-authorization of the Leahy Amendment cannot be guaranteed. If the Leahy Amendment is not extended in the future, the risk of federal enforcement and override of state medical marijuana laws would increase.

Despite the rescission of the Cole Memorandum, the Department of the Treasury, Financial Crimes Enforcement Network, has not rescinded the “FinCEN Memo” dated February 14, 2014, which de-prioritizes enforcement of the Bank Secrecy Act against financial institutions and marijuana-related businesses which utilize them. This memo appears to be a standalone document and is presumptively still in effect. At any time, however, the Department of the Treasury, Financial Crimes Enforcement Network, could elect to rescind the FinCEN Memo. This would make it more difficult for us and our clients and potential clients to access the U.S. banking systems and conduct financial transactions, which would adversely affect our operations.

Jones Soda could become subject to racketeering laws

The Racketeer Influenced Corrupt Organizations Act (“**RICO**”) is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Any violation of RICO could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens or criminal charges, including but not limited to, seizure of assets, disgorgement of profits, cessation of Jones Soda’s business activities or divestiture.

Banking regulations could limit access to banking services and expose Jones Soda to risk

In February 2014, the FinCEN of the U.S. Department of the Treasury issued the FinCEN Memo. The FinCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole

issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. As a result, any cannabis operations we develop may have the effect of limiting our access to banking or other financial services in the United States. The inability or limitation on our ability to open or maintain bank accounts in the United States, to obtain other banking services and/or accept credit card and debit card payments may make it difficult to operate and conduct our business. Although multiple legislative reforms related to cannabis and cannabis-related banking are currently being considered by the federal government in the United States, such as the Strengthening the Tenth Amendment Through Entrusting States Act, the Marijuana Opportunity, Reinvestment and Expungement Act and the Secure and Fair Enforcement Banking Act, there can be no assurance that any of these pieces of legislation will become law in the United States.

Further legislative development beneficial to Jones Soda's operations is not guaranteed

The success of Jones Soda's planned business expansion into cannabis products will depend on the continued development of the cannabis industry and the activity of commercial business and government regulatory agencies within the industry. The continued development of the cannabis industry is dependent upon continued legislative and regulatory authorization of cannabis at the state level and a continued laissez-faire approach by federal enforcement agencies. Any number of factors could slow or halt progress in this area. Further regulatory progress beneficial to the industry cannot be assured. While there may be ample public support for legislative action, numerous factors impact the legislative and regulatory process, including election results, scientific findings or general public events. Any one of these factors could slow or halt progressive legislation relating to cannabis and the current tolerance for the use of cannabis by consumers, which could adversely affect the demand for Jones Soda's products and operations.

Changing legislation and evolving interpretations of the law

Laws and regulations affecting the medical and adult-use marijuana industry are constantly changing, which could detrimentally affect Jones Soda's planned cannabis operations. Local, state, and federal marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require Jones Soda to incur substantial costs associated with modification of operations to ensure compliance. In addition, violations of these laws, or allegations of such violations, could disrupt Jones Soda's planned cannabis business and result in a material adverse effect on the company's operations. Jones Soda cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the company's operations.

Dependence on client licensing

Jones Soda's planned cannabis business will be dependent on the company obtaining various licenses from various municipalities and state licensing agencies. There can be no assurance that

any or all licenses necessary for Jones Soda to operate its planned cannabis businesses will be obtained, retained or renewed. If a licensing body were to determine that the company had violated applicable rules and regulations, there is a risk the license granted to the company could be revoked, which could adversely affect Jones Soda's operations.

Insurance risks

In the United States, many marijuana-related businesses are subject to a lack of adequate insurance coverage. In addition, many insurance companies may deny claims for any loss relating to marijuana or marijuana-related operations based on their illegality under federal law, noting that a contract for an illegal transaction is unenforceable.

The cannabis industry is an evolving industry and Jones Soda must anticipate and respond to changes.

The cannabis industry is not yet well-developed, and many aspects of this industry's development and evolution cannot be accurately predicted. While Jones Soda has attempted to identify any risks specific to the cannabis industry that would be applicable to the company's planned cannabis operations, investors should carefully consider that there are other risks that cannot be foreseen or are not described in this Listing Statement, which could materially and adversely affect the development of Jones Soda's cannabis business and its future financial performance. Jones Soda expects that the cannabis market and its business will evolve in ways that are difficult to predict. Jones Soda's long-term success will depend on its ability to successfully adjust the company's strategy to meet the changing market dynamics. If Jones Soda is unable to successfully adapt to changes in the cannabis industry, the company's operations could be adversely affected.

Additional Risk Factors Related to the Operations Resulting Issuer

Any future acquisitions or dispositions could negatively impact the operations of the Resulting Issuer.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and (vi) loss or reduction of control over certain of the Resulting Issuer's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer. A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations.

Unfavorable publicity or consumer perception could negatively impact the Resulting Issuers sales and Financial Results

The Resulting Issuer believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

The Resulting Issuer may become subject to product liability claims against its cannabis products.

The Resulting Issuer may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Any recalls of the Resulting Issuer's future cannabis products could negatively impact the Resulting Issuer's business and operations.

Manufacturers and distributors of cannabis products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Resulting Issuer will have detailed procedures in place for

testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's future cannabis brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Resulting Issuer may have difficulty in developing cannabis products.

If the Resulting Issuer cannot successfully develop, manufacture and distribute its cannabis products, or if the Resulting Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Resulting Issuer may not be able to develop market-ready commercial cannabis products at acceptable costs, which would adversely affect the Resulting Issuer's ability to effectively enter the market. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale would have a material adverse effect on the Resulting Issuer's commercialization plans and the Resulting Issuer's business, prospects, results of operations and financial condition.

The success of new cannabis products cannot be assured.

The Resulting Issuer has committed, and expects to continue to commit, significant resources and capital to develop and market new cannabis products. These products are relatively untested, and the Resulting Issuer cannot guarantee that it will achieve market acceptance for any new cannabis products that the Resulting Issuer may offer in the future. Moreover, these and other new cannabis products may be subject to significant competition with offerings by new and existing competitors. In addition, new cannabis products may pose a variety of technical challenges and require the Resulting Issuer to attract additional qualified employees. The failure to successfully develop and market these new cannabis products, or to hire qualified employees could seriously harm the Resulting Issuer's business, financial condition and results of operations.

Results of future clinical research could question the benefits, viability, safety, efficacy, dosing or social acceptance of cannabis

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Jones Soda believes that the articles, reports and studies support their respective beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Resulting Issuer Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Resulting Issuer's products with the potential to lead to a

material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Intellectual Property risks associated with cannabis products

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the *Controlled Substances Act*, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state, provincial and/ or local level.

Changes in laws, regulations and guidelines could negatively impact the Resulting Issuer's business and operations.

The Resulting Issuer's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada, the United States and abroad. While, with the exception of United States federal laws and regulations which continue to classify cannabis as a Schedule I controlled substance, the Resulting Issuer is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Resulting Issuer could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to the Resulting Issuer's operations. Additionally, as noted above, cannabis remains a Schedule I controlled substance under United States federal law, and the Resulting Issuer's activities in the states of the United States in which the Resulting Issuer operates may constitute a violation of United States federal criminal laws applicable to such conduct, including, but not limited to, the *Controlled Substances Act*, anti-money laundering laws, and the *Racketeer Influenced and Corrupt Organizations Act*.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age for purchase and consumption. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Resulting Issuer should be comparable to other companies in the same business as the Resulting Issuer.

The Resulting Issuer may face constraints on marketing its cannabis products

The development of the Resulting Issuer's cannabis business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada and the United States, and the legal environment in the United States—particularly the existence of federal criminal laws that may prohibit certain marketing of cannabis or cannabis products limits companies' abilities to compete for market share in a manner similar to other industries. If the Resulting Issuer is unable to effectively market its cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its cannabis products, the Resulting Issuer's sales of cannabis products and results of operations could be adversely affected.

Changes public opinion and perception regarding cannabis could negatively impact the Resulting Issuer's planned cannabis operations.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). A negative shift in the public's perception of cannabis in Canada, the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on its business, results of operations or prospects.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, seizure of assets, disgorgement of profits, cessation of business activities or divestiture. As an entity that conducts business in the cannabis industry, the Resulting Issuer will be potentially subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable,

may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Heightened scrutiny by regulatory authorities of the Resulting Issuer's planned cannabis business could negatively impact the Resulting Issuer's business.

For the reasons set forth above, the intended cannabis operations of the Resulting Issuer in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in both Canada and the United States. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to operate or invest in either the United States, Canada or any other jurisdiction, in addition to those described herein.

It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. If CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Resulting Issuer, it would have a material adverse effect on the ability of holders of Resulting Issuer Shares to make trades. In particular, the Resulting Issuer Shares would become highly illiquid as investors would have no ability to effect a trade of the Resulting Issuer Shares through the facilities of a stock exchange.

In the United States, many clearing houses for major broker-dealer firms, including Pershing LLC, the largest clearing, custody and settlement firm in the United States, have refused to handle securities or settle transactions of companies engaged in cannabis related business. Many other clearing firms have taken a similar approach. This means that certain broker-dealers cannot accept for deposit or settle transactions in the securities of companies, which may inhibit the ability of investors to trade in our securities and could negatively affect the liquidity of our securities.

In addition, on November 24, 2017, the TMX Group provided an update regarding issuers with cannabis-related activities in the United States and confirmed that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have cannabis-related activities in the United States and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. On February 8, 2018, CDS signed a memorandum (the "**CDS MOU**") with the Exchanges. The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Resulting Issuer, it would have a material adverse effect on the ability of Resulting Issuer Shares to make trades. In particular, the Resulting Issuer Shares would become highly illiquid as

investors would have no ability to effect a trade of Resulting Issuer Shares through the facilities of a stock exchange.

Any restrictions imposed by the CSE or other applicable exchange on the business of the Resulting Issuer and/or the potential delisting of the Resulting Issuer Shares from the CSE or other applicable exchange would have a material adverse effect on the Resulting Issuer and on the ability of holders of Resulting Issuer Shares to make trades.

Increased regulatory scrutiny associated with the Resulting Issuer's cannabis operations could negatively impact the Resulting Issuer's ability to raise capital.

The Resulting Issuer's planned cannabis business activities will rely on newly established and/or developing laws and regulations in multiple jurisdictions. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The cannabis industry may come under scrutiny or further scrutiny by the FDA, the SEC, the DOJ, FINRA or other applicable federal, state, or non-governmental regulatory authorities or self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Resulting Issuer's industry may adversely affect the business and operations of the Resulting Issuer, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Resulting Issuer or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Resulting Issuer.

The success of the Resulting Issuer's business strategy depends on the legality of the cannabis industry which is subject to regulatory or political change.

The success of the Resulting Issuer's business strategy to develop cannabis products depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To the Resulting Issuer's knowledge, there are to date a total of 30 states and the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including California, and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Resulting Issuer's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the Resulting Issuer's ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Resulting Issuer is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Resulting Issuer, and thus, the effect on the return of investor capital, could be detrimental. We are unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the

applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

The commercial, medical and adult-use cannabis industries are in their infancy and we anticipate such regulations will be subject to change as the jurisdictions in which the Resulting Issuer will carry on business mature. The Resulting Issuer expects to put in place a detailed compliance program that will oversee, maintain, and implement the compliance program and personnel.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Resulting Issuer will be required to obtain or renew government permits and licenses for its contemplated cannabis operations and unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed cannabis operations of the Resulting Issuer

The Resulting Issuer's business will be subject to a variety of laws, regulations and guidelines and licensing requirements in Canada and the United States. Achievement of the Resulting Issuer's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

The Resulting Issuer will be required to obtain or renew further government permits and licenses for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from

proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

There is no assurance that the Resulting Issuer's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Resulting Issuer could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Resulting Issuer's reputation, require the Resulting Issuer to take, or refrain from taking, actions that could harm its operations or require the Resulting Issuer to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Resulting Issuer's business, financial condition, results of operations or prospects.

Differing local rules and regulations may limit the Resulting Issuer's ability to expand its cannabis business into new markets.

Expansion of the Resulting Issuer's planned cannabis business into new markets with different rules and regulations may not succeed. Any such expansion may expose the Resulting Issuer to new operational, regulatory and/or legal risks. In addition, expanding its cannabis operations into new localities may subject the Resulting Issuer to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Resulting Issuer. For example, different localities may impose different rules on how cannabis may be cultivated, manufactured, processed, distributed and/or transported. Each of the political subdivisions of California, and Oregon currently has or may in the future obtain the right to subject participants in the cannabis industry operating within its jurisdiction to its own set of rules and regulations regarding the acquisition and maintenance of required licenses, and the conduct of business, including prohibiting such operations and business in full or in part, regardless of the rules and regulations of adjacent political subdivisions. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

The benefit of certain federal laws and protections such as federal trademark and patent protection may not be available to the Resulting Issuer.

As long as cannabis remains illegal under U.S. federal law, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer's cannabis operations. As a result, the Resulting Issuer's intellectual property regarding its planned cannabis operations may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will

ever obtain any protection of its intellectual property relating to its proposed cannabis business, whether on a federal, state or local level.

The Resulting Issuer will be reliant on third-party suppliers to develop, manufacture and distribute its cannabis products and the loss of any of these suppliers may have a material adverse effect on the Resulting Issuer's business and operational results.

The Resulting Issuer will be reliant on third-party suppliers to develop, manufacture and distribute its planned cannabis products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Resulting Issuer's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Resulting Issuer's cannabis operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Resulting Issuer's cannabis business and operational results.

The Resulting Issuer may face difficulties in enforcing its contracts in federal and certain state courts

Due to the nature of the Resulting Issuer's intended cannabis business and the fact that its contracts will involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Resulting Issuer may face difficulties in enforcing its contracts concerning its cannabis operations in federal and certain state courts. The inability to enforce any of the Resulting Issuer's contracts could have a material adverse effect on the Resulting Issuer's cannabis business, operating results, financial condition or prospects.

Cannabis licences in certain states may require disclosure of personal information of the Resulting Issuers directors, officers or significant shareholders.

The Resulting Issuer may in the future acquire interests, manage, or provide services to various U.S. state licensed cannabis operations. Acquiring even a minimal and/or indirect interest in a U.S. state-licensed cannabis business can trigger requirements to disclose investors' personal information. While these requirements vary by jurisdiction, some require interest holders to apply for regulatory approval and to provide tax returns, compensation agreements, fingerprints for background checks, criminal history records and other documents and information. Some states require disclosures of directors, officers and holders of more than a certain percentage of equity of the applicant. While certain states include exceptions for investments in publicly traded entities, not all states do so, and some such exceptions are confined to companies traded on a U.S. securities exchange. If these regulations were to extend to the Resulting Issuer, investors would be required to comply with such regulations, or face the possibility that the relevant cannabis license could be revoked or cancelled by the state licensing authority.

The market price of the Resulting Issuer Shares on the CSE could be volatile.

The Resulting Issuer Shares are listed on the CSE under the symbol "JSDA" following the completion of the Transaction. Securities of cannabis companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Resulting Issuer Shares is also likely to be significantly affected by short-term changes in cannabis, by the Resulting Issuer's financial condition or results of

operations as reflected in its quarterly financial statements and by other operational and regulatory matters. As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect their long-term value.

There is no assurance that the Resulting Issuer will pay dividends on its shares in the near future or ever.

There is no assurance that the Resulting Issuer will pay dividends on its shares in the near future or ever. The Resulting Issuer will likely require all its funds to further the development of its business.

18. PROMOTERS

No person or company is or has been within the two years immediately preceding the date of this Listing Statement a promoter of the Resulting Issuer.

19. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings to which Jones Soda is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of Jones Soda, there are no such proceedings contemplated.

During the three years immediately preceding the date of this listing statement, Jones Soda has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, to the knowledge of Jones Soda's management, no director or officer, insider or 10% shareholder of Jones Soda, nor any of their respective Associates, affiliates or member of their group has or had any material interest, direct or indirect, in any transaction in the preceding three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect Jones Soda.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditor

The auditors of the Resulting Issuer are Armanino LLP (the "Auditors"), located at 155 108th Ave. NE Ste 820, Bellevue WA.

21.2 Transfer Agent and Registrar

The Resulting Issuer's registrar and transfer agent is Odyssey Trust Company located at 350 – 409 Granville Street, Vancouver BC V6C 1T2.

22. MATERIAL CONTRACTS

Jones Soda

Except for contracts made in the ordinary course of business, the following are the material contracts entered into by Jones Soda within two years prior to the date hereof and which are currently in effect:

- Arrangement Agreement dated October 18, 2021
- Lease Agreement dated December 31, 2014, by and between 66 South Hanford Street Limited Partnership and Jones Soda Co;
- First Amendment to Lease dated February 4, 2020;
- Jones Soda Co. 2011 Incentive Plan; and
- Investor Rights Agreement dated as of July 11, 2019 by and among Jones Soda Co., Heavenly Rx Ltd. and the shareholders named therein; and
- Amended and Restated Employment Letter Agreement between Jones Soda Co. and Mark Murray dated effective December 1, 2020.

23. INTEREST OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of Jones Soda or of an Associate or Affiliate of Jones Soda and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Jones Soda or of an Associate or Affiliate of Jones Soda and no such person is a promoter of Jones Soda or an Associate or Affiliate of Jones Soda.

The auditors of Jones Soda and Pinestar are independent of Jones Soda and Pinestar, respectively, in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia

24. OTHER MATERIAL FACTS

Jones Soda is not aware of any other material facts relating to Jones Soda that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to Jones Soda, other than those set forth herein.

25. FINANCIAL STATEMENTS

Jones Soda

The Jones Soda Annual Financial Statements and the Jones Soda Interim Financial Statements are attached as Schedule “D” and “E”, respectively, to this Listing Statement.

Pinestar

A copy of the audited financial statements of Pinestar for the years ended March 31, 2021 and 2020 and the interim unaudited financial statements for the three-month and six-month periods ended September 30, 2021 are attached as Schedule “A” and “B”, respectively, to this Listing Statement.

CERTIFICATE OF JONES SODA CO.

Pursuant to a resolution duly passed by the board of directors of Jones Soda Co. (“**Jones Soda**”), Jones Soda, hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Jones Soda. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 15th day of February, 2022.

(Signed "Mark Murray")

Mark Murray
Chief Executive Officer

(Signed "Joe Culp")

Joe Culp
Controller and Principal Financial Officer

(Signed "Paul Norman")

Paul Norman
Director

(Signed "Clive Sirkin")

Clive Sirkin
Director

**SCHEDULE A
PINESTAR ANNUAL FINANCIAL STATEMENTS**

[See Attached]

PINESTAR GOLD INC.

Financial Statements March 31, 2021

Restated, October 17, 2021

(Stated in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pinestar Gold Inc.

Opinion

We have audited the financial statements of Pinestar Gold Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2021, and 2020 and the statements of comprehensive loss, changes in shareholders deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Restate Financial Statements

Without modifying our opinion, we draw attention to Note 9 to the financial statements, which explains that the financial statements for the year ended March 31, 2021 has been restated from those on which we originally reported on August 4, 2021.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

Atera & Lovrics LLP

Toronto, Ontario
October 17, 2021

Chartered Professional Accountants
Licensed Public Accountants

Pinestar Gold Inc.
 Statements of Financial Position
 March 31, 2021 and 2020
 (Stated in Canadian Dollars)

	Note	March 31, 2021	March 31, 2020
ASSETS			
Cash		\$ 179,103	\$ -
HST Receivable		1,136	-
TOTAL ASSETS		\$ 180,239	\$ -
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 43,581	\$ 8,500
		43,581	8,500
NON CURRENT LIABILITIES			
Other liabilities	5	131,583	131,583
TOTAL LIABILITIES		175,164	140,083
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	3	3,969,420	3,804,401
Reserve	3	998,156	962,375
Deficit		(4,962,501)	(4,906,859)
TOTAL EQUITY (DEFICIT)		5,075	(140,083)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		\$ 180,239	\$ -

Going Concern – Note 1

Restatement – Note 9

Approved on behalf of the Board:

"Michael Lerner"
 Director

"Harvey McKenzie"
 Director

The accompanying notes are an integral part of these financial statements

Pinestar Gold Inc.
 Statements of Comprehensive Loss
 For the years ended March 31, 2021 and 2020
 (Stated in Canadian Dollars)

	Note	Year ended March 31, 2021	Year ended March 31, 2020
Expenses			
Public company fees		\$ 6,500	\$ -
Management and consulting fees		5,000	-
Professional fees		44,142	8,500
		(55,642)	(8,500)
Comprehensive loss for the year		\$ (55,642)	\$ (8,500)
Loss per share – basic and diluted		\$ (0.02)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted		6,721,762	3,324,502

The accompanying notes are an integral part of these financial statements

Pinestar Gold Inc.
 Statements of Changes in Shareholders' Deficit
 For the years ended March 31, 2021 and 2020
 (Stated in Canadian Dollars)

	Number of shares	Amount	Reserve	Deficit	Total
Balance at March 31, 2019	3,324,502	\$ 3,804,401	\$ 962,375	\$ (4,898,359)	\$ (131,583)
Net and comprehensive loss for the year	-	-	-	(8,500)	(8,500)
Balance at March 31, 2020	3,324,502	3,804,401	962,375	(4,906,859)	(140,083)
Issuance of units for cash	36,800,000	165,019	35,781	-	200,800
Net and comprehensive loss for the year	-	-	-	(55,642)	(55,642)
Balance at March 31, 2021	40,124,502	3,969,420	998,156	(4,962,501)	5,075

The accompanying notes are an integral part of these financial statements

Pinestar Gold Inc.
 Statements of Cash Flows
 For the years ended March 31, 2021 and 2020
 (Stated in Canadian Dollars)

	Year ended March 31, 2021	Year ended March 31, 2020
Operating Activities		
Net loss for the year	\$ (55,642)	\$ (8,500)
Changes in non-cash working capital items:		
Accounts receivable	(1,136)	8,500
Accounts payable and accrued liabilities	35,081	-
Net cash flows used in operating activities	(21,697)	-
Financing Activities		
Proceeds on issuance of units for cash	200,800	-
Net cash flows from financing activities	200,800	-
Change in cash during the year	179,103	-
Cash, beginning of the year	-	-
Cash, end of the year	\$ 179,103	\$ -

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern

Pinestar Gold Inc. (the “Company” or “Pinestar”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 8, 2006. The Company changed its name from Hedger Capital Inc. (“Hedger”) to Pinestar Gold Inc. on January 28, 2010. The Company was in the business of acquisition, exploration and development of mineral properties.

The address of the Company's corporate office and principal place of business is 1049 Chilco Street, Suite 405, Vancouver, British Columbia V6G 2R7.

Until 2014, the Company was exploring its mineral property interests. At that time, it ceased all exploration. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties and exploration advance were entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests. The Company's success was subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at March 31, 2021, the Company has working capital of \$136,658, an accumulated deficit of \$4,962,501 and has not generated revenue from operations. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

The Company will have to raise funds in the future to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Further, in March 2020, the World Health Organization declared coronavirus COVID – 19 a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. Significant accounting policies

Statement of Compliance with International Financial Reporting Standards (“IFRS”)

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized for issue on August 4, 2021 by the directors of the Company.

Basis of Presentation

These financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value as explained in the significant accounting policies set out in Note 2. The financial statements are presented in Canadian dollars which is the Company's functional currency.

Management estimates and assumptions

These financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value as explained in the significant accounting policies set out in Note 2. The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency.

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.
- Going concern – the assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its operations and working capital requirements as discussed in note 1.

Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the statement of comprehensive loss with a corresponding credit recorded to the reserve account. The fair value of options is determined using the Black-Scholes Option Pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to the reserve account. The Company uses the Black-Scholes Option Pricing model to

determine the fair value of the warrants issued.

The Black-Scholes Option Pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

All equity-settled share-based payments are reflected in the reserve account, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve account is credited to share capital along with the consideration paid.

Financial Instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company classified cash at amortized cost and accounts payable and accrued liabilities and shareholder loans at amortized cost.

Impairment of financial assets:

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at March 31, 2021 and March 31, 2020, the Company did not have any financial instruments recorded at fair value.

Income Taxes

Current income taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes:

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the average market price during the period. For the periods presented, diluted loss per share was equal to basic loss per share as the dilutive effect was anti-dilutive.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants are allocated to common shares.

Nature of provisional liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past

events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimate of outcome on the basis of facts known at the reporting date.

As at March 31, 2021 and March 31, 2020, the Company did not have any provisions.

Changes in accounting policies

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for the Company's accounting period beginning on March 1, 2020. The following amendment has been adopted:

IFRS 3, Business combinations (IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no significant impact on the Company's consolidated financial statements.

IAS 1, Presentation of financial statements ("IAS 1") and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of materiality across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

3. Share Capital

Authorized:

Unlimited common shares without par value.

Issued:

	<i>Number of common shares</i>	<i>\$ Amount</i>	<i>\$ Reserve</i>
<u>Common shares outstanding</u>			
March 31, 2020	3,324,502	\$ 3,804,401	\$ 962,375
Issuance of shares for cash	20,000,000	100,000	-
Issuance of units for cash	16,800,000	65,019	35,781
March 31, 2021	40,124,502	\$ 3,969,420	\$ 998,156

On January 28, 2021, the Company closed a non-brokered private placement of 20,000,000 common shares for cash proceeds of \$100,000.

On March 31, 2021, the Company closed a non-brokered private placement of 16,800,000 units for cash proceeds of \$100,800. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.006 per share for a period of three years. The proceeds were allocated as \$65,019 to common shares and \$35,781 for the warrants to reserves.

Reserve:

The reserve account records items recognized as stock-based compensation expense until such time that

the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrants:

At March 31, 2021, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
<u>Warrants</u>		
16,800,000	\$0.006	March 31, 2024

Warrant transactions and the number of warrants outstanding are summarized as follows:

	March 31, 2021		March 31, 2020
Balance, beginning of period	—		—
Issued	16,800,000	\$0.006	—
Exercised	—		—
Expired	—		—
Balance, end of period	16,800,000	\$0.006	—

As related to equity financings in the current year, the Company determined that the fair value of the warrant liability related to the 16,800,000 warrants, using the Black-Scholes Options Pricing Mode, was \$35,781. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 1.75%, volatility of 85% and an expected life of 3 years.

No warrants were issued or outstanding in the period ended March 31, 2020.

Stock options:

The Company follows the policies of the TSX-V under which it is authorized to grant options of up to 10% of its issued and outstanding common shares to its officers, directors, employees and consultants. Under the policies, the exercise price of the stock options must equal the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of five years.

Pursuant to the Company's Stock Option Plan, unless otherwise determined by the directors, stock options will vest on the grant date, except for options granted to persons undertaking investor relations activities, which will vest 25% every three months for twelve months.

No Stock options were issued in the periods ended March 31, 2021 or 2020. No stock options were outstanding at March 31, 2021 or 2020.

4. Related Party Transactions

Related party balances

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company reported CEO remuneration of \$2,500 paid to a company owned by the CEO, for the year ended March 31, 2021. The Company paid one director \$1,500 and a second director \$1,000 for the year ended March 31, 2021. The Company did not report any remuneration of directors and key management personnel for the year ended March 31, 2020.

There were no amounts due to related parties in accounts payable and accrued liabilities at March 31, 2021 or March 31, 2020.

5. Other Payables

Subsequent to the year ended May 31, 2014, the Company transferred \$131,583 of liabilities (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (British Columbia). The Statute-barred Claims relate to liabilities of third parties. Under IFRS, a financial liability can only be derecognized from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation, but it does not formally extinguish the financial liability under IFRS.

It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as non-current liabilities as the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

6. Financial Instruments and Risk Management

The Company's financial instruments include trade payables, loan payable and due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors its risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. As at March 31, 2021, the Company held cash of \$179,103.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as high.

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash.

Pinestar Gold Inc.
Notes to the Financial Statements
March 31, 2021 and 2020
(Stated in Canadian Dollars)

Historically, the Company's sources of funding have been the issuance of equity securities for cash, primarily through private placements and amounts due from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity, or other funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2021:

	Within one year	Between one and five years	More than five years
Accounts payable and accruals	\$ 43,581	\$ -	\$ -
Other liabilities	-	-	131,583
	\$ 43,581	\$ -	\$ 131,583

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loan payable and due to related parties are not exposed to any significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

7. Deferred Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	March 31, 2021	March 31, 2020
Loss before income taxes	\$ (55,642)	\$ (8,500)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	(15,000)	(2,000)
Tax rate changes	-	-
Permanent differences and other	-	-
Change in unrecognized deferred income tax assets	15,000	2,000
Deferred income tax recovery	\$ -	\$ -

The Company has the following significant deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2021	March 31, 2020
Non-capital and net operating losses	\$ 2,810,612	\$ 2,754,970
Capital losses	1,090,107	1,090,107

Pinestar Gold Inc.
Notes to the Financial Statements
March 31, 2021 and 2020
(Stated in Canadian Dollars)

	3,900,719	3,845,077
Unrecognized deferred income tax asset	(3,900,719)	(3,845,077)
Net deferred tax assets	\$ -	\$ -

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at March 31, 2020, the Company has approximately \$2,811,000 in Canadian non-capital losses and capital losses of \$1,090,107 that can be offset against future taxable income in future years which begin expiring commencing 2028. The potential future tax benefit of these losses has not been recorded as a deferred tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

8. Subsequent Events

Subsequent to March 31, 2021, the Company announced that it has entered into a non-binding term sheet (“Term Sheet”) with Jones Soda Co., a craft soda beverage business known for its unconventional flavors and user-designed label artwork.

Under the terms of the Term Sheet, Jones intends to acquire all of the outstanding common shares of the Company (after a planned consolidation of such shares) and warrants exercisable into common shares of the Company in exchange for an aggregate of 4,000,000 shares of Jones common stock (the “**Jones Shares**”) and 1,674,808 warrants exercisable into Jones Shares as part of a statutory plan of arrangement (the “**Plan of Arrangement**”) under the *Business Corporations Act* (British Columbia) and in reliance on applicable exemptions from the prospectus and registration requirements under Canadian and United States securities laws.

The Term Sheet also provides that the Company intends to complete an offering of subscription receipts (“**Subscription Receipts**”) that is expected to be subscribed for by SOL Global Investments Corp. (“SOL”) and certain significant shareholders of the Company, one of whom is Marc Lustig, a well-known and respected Canadian entrepreneur, capital markets executive and investor, or their respective contacts and partners, for minimum aggregate gross proceeds of US\$8,000,000, at a price per Subscription Receipt equal to US\$0.50. The Subscription Receipts are intended to automatically convert into units of the Company (the “**Pinestar Units**”) on a one-for-one basis if certain conditions relating to the Plan of Arrangement are met, with each Pinestar Unit expected to consist of one common share of Pinestar Share and one new share purchase warrant of Pinestar, which are then expected to be immediately exchanged for, or adjusted into, Jones Units as part of the Plan of Arrangement in accordance with a 1:1 exchange ratio.

9. Restatement

These financial statements have been restated to reflect a private placement of 20,000,000 shares which closed on January 28, 2021. The effect of the restatement is to increase cash by \$100,000 and common shares by \$100,000. In addition, the financing activities in the statement of cash flows were also increased by the same \$100,000 on the issue of these shares. No other accounts were affected.

B-1

**SCHEDULE B
PINESTAR INTERIM FINANCIAL STATEMENTS**

[See Attached]

PINESTAR GOLD INC.

Interim Financial Statements

For the Six Months Ended September 30, 2021

(Stated in Canadian Dollars)

PINESTAR GOLD INC.

INTERIM FINANCIAL STATEMENTS

September 30, 2021 and 2020

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

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Pinestar Gold Inc.
Interim Statements of Financial Position
(Stated in Canadian Dollars - Unaudited)

AS AT

	Note	September 30, 2021	March 31, 2021
ASSETS			
Cash		\$ 91,612	\$ 179,103
HST Receivable		11,042	1,136
TOTAL ASSETS		\$ 102,654	\$ 180,239
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 52,015	\$ 43,581
		52,015	43,581
NON CURRENT LIABILITIES			
Other liabilities	5	131,583	131,583
TOTAL LIABILITIES		183,598	175,164
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	3	3,969,420	3,969,420
Reserve	3	998,156	998,156
Deficit		(5,048,520)	(4,962,501)
TOTAL EQUITY (DEFICIT)		(80,944)	5,075
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 102,654	\$ 180,239

Going Concern – Note 1

Subsequent Event – Note 9

Approved on behalf of the Board:

"Michael Lerner"

Director

"Harvey McKenzie"

Director

The accompanying notes are an integral part of these interim financial statements

Pinestar Gold Inc.
Interim Statements of Loss and Comprehensive Loss
For the six-month periods ended September 30, 2021 and 2020
(Stated in Canadian Dollars - Unaudited)

Note	Three Months ended Sept. 30, 2021	Sept. 30, 2020	Six Months Ended Sept. 30, 2021	Sept. 30, 2020
Expenses				
Management and consulting	\$ 10,000	\$ -	\$ 10,000	\$ -
Public company fees	308	-	3,884	-
Professional fees	33,082	2,250	72,135	4,500
	(43,390)	(2,250)	(86,019)	(4,500)
Comprehensive loss for the period	\$ (43,390)	\$ (2,250)	\$ (86,019)	\$ (4,500)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding – basic and diluted	4,000,048	331,423	4,000,048	331,423

The accompanying notes are an integral part of these interim financial statements

Pinestar Gold Inc.
Interim Statements of Changes in Shareholders' Equity (Deficit)
For the periods ended September 30, 2021 and 2020
(Stated in Canadian Dollars - Unaudited)

	Number of shares	Amount	Reserve	Deficit	Total
Balance at March 31, 2019	331,423	\$ 3,804,401	\$ 962,375	\$ (4,898,359)	\$ (131,583)
Net and comprehensive loss for the period	-	-	-	(8,500)	(8,500)
Balance at September 30, 2020	331,423	3,804,401	962,375	(4,906,859)	(140,083)
Issuance of units for cash	3,668,625	165,019	35,781	-	200,800
Net and comprehensive loss for the period	-	-	-	(55,642)	(55,642)
Balance at March 31, 2021	4,000,048	3,969,420	998,156	(4,962,501)	5,075
Net and comprehensive loss for the period	-	-	-	(84,044)	(84,044)
Balance at September 30, 2021	4,000,048	\$ 3,969,420	\$ 998,156	\$ (5,046,545)	\$ (78,969)

The accompanying notes are an integral part of these interim financial statements

Pinestar Gold Inc.
Interim Statements of Cash Flows
For the six-month periods ended September 30, 2021 and 2020
(Stated in Canadian Dollars - Unaudited)

	Period ended September 30, 2021	Period ended September 30, 2020
Operating Activities		
Net loss for the period	\$ (86,019)	\$ (4,500)
Changes in non-cash working capital items:		
HST receivable	(9,906)	-
Accounts payable and accrued liabilities	8,434	4,500
Net cash flows used in operating activities	(87,491)	-
Financing Activities		
Proceeds on issuance of common shares	-	-
Net cash flows from financing activities	-	-
Change in cash during the period	(87,491)	-
Cash, beginning of the year	179,103	-
Cash, end of the period	\$ 91,612	\$ -

The accompanying notes are an integral part of these interim financial statements

1. Nature of operations and going concern

Pinestar Gold Inc. (the “**Company**” or “**Pinestar**”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 8, 2006. The Company changed its name from Hedger Capital Inc. (“**Hedger**”) to Pinestar Gold Inc. on January 28, 2010. The Company was in the business of acquisition, exploration and development of mineral properties.

The address of the Company's corporate office and principal place of business is 1049 Chilco Street, Suite 405, Vancouver, BC, Canada, V6G 2R7.

Until 2014, the Company was exploring its mineral property interests. At that time, it ceased all exploration. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties and exploration advance were entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests. The Company's success was subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at September 30, 2021, the Company has a working capital of \$50,639, an accumulated deficit of \$5,048,520 and has not generated revenue from operations. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

Further, in March 2020, the World Health Organization declared coronavirus COVID – 19 a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. Significant accounting policies

(a) Statement of Compliance with International Financial Reporting Standards (“IFRS”)

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited interim consolidated financial statements are based on IFRS issued and outstanding as of November 7, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2021. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending March 31, 2022 could result in restatement of these interim financial statements.

(b) Basis of Presentation

These interim consolidated financial statements have been prepared on a historical cost basis. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Share Capital

Authorized:

Unlimited common shares without par value.

Issued:

	<i>Number of common shares</i>	<i>\$ Amount</i>	<i>\$ Reserve</i>
<u>Common shares outstanding</u>			
March 31, 2020	331,423	\$ 3,804,401	\$ 962,375
Issuance of shares for cash	1,993,817	100,000	-
Issuance of shares for cash	1,674,808	65,019	35,781
Sept. 30, 2021 and March 31, 2021	4,000,048	\$ 3,969,420	\$ 998,156

On January 28, 2021, the Company closed a non-brokered private placement of 1,993,817 common shares for cash proceeds of \$100,000.

On March 31, 2021, the Company closed a non-brokered private placement of 1,674,808 units for cash proceeds of \$100,800. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.0602 per share for a period of three years. The proceeds were allocated as \$65,019 to common shares and \$35,781 for the warrants to reserves.

Reserve:

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrants:

At September 30, 2021 and March 31, 2021, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
<u>Warrants</u>		
1,674,808	\$0.0602	March 31, 2024

Warrant transactions and the number of warrants outstanding are summarized as follows:

	September 30, 2021		March 31, 2021	
Balance, beginning of period	1,674,808	\$0.0602	—	
Issued	—		1,674,808	\$0.0602
Exercised	—		—	
Expired	—		—	
Balance, end of period	1,674,808	\$0.0602	1,674,808	\$0.0602

As related to equity financings in the current year, the Company determined that the fair value of the warrant liability related to the 1,674,808 warrants, using the Black-Scholes Options Pricing Mode, was \$35,781. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 1.75%, volatility of 85% and an expected life of 3 years.

No warrants were issued in the period ended September 30, 2021.

Stock options:

The Company follows the policies of the TSX-V under which it is authorized to grant options of up to 10% of its issued and outstanding common shares to its officers, directors, employees and consultants. Under the policies, the exercise price of the stock options must equal the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of five years.

Pursuant to the Company's Stock Option Plan, unless otherwise determined by the directors, stock options will vest on the grant date, except for options granted to persons undertaking investor relations activities, which will vest 25% every three months for twelve months.

No Stock options were issued in the periods ended September 30, 2021 or March 31, 2021. No stock options were outstanding at September 30, 2021 or March 31, 2021.

4. Related Party Transactions

Related party balances

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company did not report any remuneration of directors and key management personnel for the periods ended September 30, 2021 or March 31, 2021.

There were no amounts due to related parties in accounts payable and accrued liabilities at September 30, 2021 or March 31, 2021.

5. Other Liabilities

Subsequent to the year ended May 31, 2014, the Company transferred \$131,583 of liabilities (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (British Columbia). The Statute-barred Claims relate to liabilities of third parties. Under IFRS, a financial liability can only be derecognized from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation, but it does not formally extinguish the financial liability under IFRS.

It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as non-current liabilities as the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

6. Financial Instruments and Risk Management

The Company's financial instruments include accounts payables, loan payable and due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors its risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. As at September 30, 2021, the Company held cash of \$91,612.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as high.

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash.

Historically, the Company's sources of funding have been the issuance of equity securities for cash, primarily through private placements and amounts due from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity, or other funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2021:

	Within one year	Between one and five years	More than five years
Accounts payable and accruals	\$ 52,015	\$ 52,015	\$ -
Other liabilities	131,583	-	131,583
	\$ 183,598	\$ 52,015	\$ 131,583

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured subsequent to initial recognition at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to estimate the fair values are observable. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

7. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including pursuit of merger and acquisition opportunities; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be shareholders' equity, which at September 30, 2021 totaled a deficit of \$80,944 (March 31, 2021 - surplus of \$5,075). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2021 and the year ended March 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution.

8. Deferred Income Taxes

This Note has not been updated from March 31, 2021.

9. Subsequent Events

On July 15, 2021, the Company announced that it had entered into a non-binding term sheet ("**Term Sheet**") with Jones Soda Co., a craft soda beverage business known for its unconventional flavors and user-designed label artwork.

Under the terms of the Term Sheet, Jones intends to acquire all of the outstanding common shares of the Company (after a planned consolidation of such shares) and warrants exercisable into common shares of the Company in exchange for an aggregate of 4,000,000 shares of Jones common stock (the "**Jones Shares**") and 1,674,808 warrants exercisable into Jones Shares as part of a statutory plan of arrangement (the "**Plan of Arrangement**") under the *Business Corporations Act* (British Columbia) and in reliance on applicable exemptions from the prospectus and registration requirements under Canadian and United States securities laws.

The Term Sheet also provides that the Company intends to complete an offering of subscription receipts ("**Subscription Receipts**") that is expected to be subscribed for by SOL Global Investments Corp. ("SOL") and certain significant shareholders of the Company, one of whom is Marc Lustig, a well-known and respected Canadian entrepreneur, capital markets executive and investor, or their respective contacts and partners, for minimum aggregate gross proceeds of US\$8,000,000, at a price per Subscription Receipt equal to US\$0.50. The Subscription Receipts are intended to automatically convert into units of the Company (the "**Pinestar Units**") on a one-for-one basis if certain conditions relating to the Plan of Arrangement are met, with each Pinestar Unit expected to consist of one common share of Pinestar Share and one new share purchase warrant of Pinestar, which are then expected to be immediately exchanged for, or adjusted into, Jones Units as part of the Plan of Arrangement in accordance with a 1:1 exchange ratio.

On November 2, 2021, the Company announced a share consolidation on the basis of one new share for each 10.031 pre-consolidation shares. Following the consolidation, the Company had approximately 4,000,048 common shares outstanding. These financial statements reflect the consolidation in all reported periods.

C-1

**SCHEDULE C
PINESTAR ANNUAL MD&A AND INTERIM MD&A**

[See Attached]

PINESTAR GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

MARCH 31, 2021

PINESTAR GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2021
Restated – October 17, 2021

Introduction

The following is the management's discussion and analysis (the "**MD&A**") of the financial position and results from operations of Pinestar Gold Inc. (the "**Company**"), for the year ended March 31, 2021. This MD&A should be read in conjunction with the Company's financial statements for its fiscal years ended March 31, 2021 and 2020, along with accompanying notes to the statements for the years then ended.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated. The Company's financial statements for its fiscal years ended March 31, 2021 and 2020 were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The registered office and the head office of the Corporation is located at 1049 Chilco Street, Suite 405, Vancouver, British Columbia V6G 2R7.

This MD&A is dated as of May 4, 2021.

Additional Information

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Business Overview and Corporate Update

Description of the Business

The Company is focused on identifying suitable assets or businesses to acquire or merge with, with a view to maximizing shareholder value. The Company was previously engaged in the business of evaluating, acquiring and exploring mineral properties, but the business failed. The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 8, 2006.

Corporate Update and Outlook

The Company entered into a share exchange agreement (the “**Share Exchange Agreement**”) on September 14, 2009 with Oretch Resources Inc., a private company incorporated in British Columbia in the business of evaluating, acquiring and exploring mineral properties (“**Oretch**”) and the shareholders of Oretch. Pursuant to the Share Exchange Agreement, the Company would acquire 100% of the issued and outstanding shares of Oretch in exchange for the issuance of 10,103,333 common shares to the shareholders of Oretch at a deemed price of \$0.25 per common share. The transaction closed on January 28, 2010, resulting in the Company becoming the sole shareholder of Oretch.

The principal asset acquired in the Oretch transaction was an option to acquire an interest in the Becker property, a prospective gold property located in Region V11, central Chile (the “**Becker Property**”). The Company earned a 51% interest in the Becker Property.

In November 2012, the Company acquired an option for a 100% interest in the Copper Lake property near Granisle, British Columbia.

On July 16, 2013, the shareholders of the Company approved the consolidation of the Company’s common shares on the basis of one new share for ten old shares, which was effected on September 30, 2013.

On August 1, 2014, the Company announced it had settled \$25,000 of debts related to management fees by issuing 500,000 shares.

The former business of the Company failed, and these interests were placed into care and maintenance.

On August 7, 2013, the British Columbia Securities Commission (the “**BCSC**”) issued a cease trade order (the “**2013 CTO**”) suspending trading of the Company’s securities as a result of a delay in filing the Company’s audited financial statements for the financial year ended March 31, 2013 (the “**2013 Annual Financial Statements**”) and the annual MD&A related thereto by the required filing date under applicable Canadian securities laws. As a result of the 2013 CTO, the TSX Venture Exchange (the “**TSXV**”) suspended trading of the Company’s common shares until October 4, 2013, whereupon the Company was reinstated after filing the 2013 Annual Financial Statements, annual MD&A related thereto and a reinstatement application to the TSXV.

On August 8, 2014, the BCSC issued another cease trade order (the “**2014 BCSC CTO**”) suspending trading of the Company’s securities as a result of a delay in filing the Company’s audited financial statements for the financial year ended March 31, 2014 (the “**2014 Annual Financial Statements**”) and the annual MD&A related

thereto by the required filing date under applicable Canadian securities laws. On November 5, 2014, the Alberta Securities Commission (the “**ASC**”) issued a cease trade order (the “**2014 ASC CTO**”) as a result of a delay in filing the Company’s 2014 Annual Financial Statements, annual MD&A related thereto and interim unaudited for the interim period ended June 30, 2014 (the “**2014 Interim Financial Statements**”) and interim MD&A related thereto.

As a result of the 2014 BCSC CTO, the TSXV suspended trading of the Company’s common shares until such time as it accepts a reinstatement application by the Company and on November 4, 2014, the Company’s common shares were transferred to the NEX Board of the TSXV. The shares were delisted on May 2, 2016.

The Company applied for partial revocations of the 2014 BCSC CTO and 2014 ASC CTOs, and on December 23, 2020, the BCSC and ASC granted partial revocations, solely to permit the Company to complete a non-brokered private placement for aggregate gross proceeds of up to \$100,000, through the issuance of up to 20,000,000 common shares in the capital of the Company at a price of \$0.005 per common share (the “**Offering**”). The Company completed the Offering pursuant to the partial revocations on January 28, 2021 raising \$100,000 through the issuance of 20,000,000 common shares. The Company applied for full revocations of the 2014 BCSC CTO and 2014 ASC CTO and the revocations were granted on March 22, 2021.

On March 31, 2021, the Company closed a non-brokered private placement of 16,800,000 units for cash proceeds of \$100,800. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.006 per share for a period of three years. The proceeds were allocated as \$65,019 to common shares and \$35,781 for the warrants to reserves.

The Company’s assets were written off in 2015 and the Company’s liabilities were reclassified as statute barred in 2017.

The Company’s business is managed by the directors and officers and augmented by independent professionals retained to advise the Company on its business.

Changes to Board of Directors and Management

Effective January 23, 2015, as a result of the sudden passing of Raymond Jefferd in December 2014, Gina A. MacInnes was appointed to the Board in order to fill the vacancy.

Effective December 3, 2020, Jeremy Ford, Peet Nienaber and Gina A. MacInnes have resigned from the Board. Jeremy Ford has also resigned as President and Chief Executive Officer and Kulwant Sandher has ceased acting as Chief Financial Officer of the Company. The Company has appointed Michael Lerner, Harvey McKenzie and Emily Lerner to the Board in order to fill the vacancies created by the foregoing resignations. In addition, Michael Lerner has been appointed as Chief Executive Officer and Chief Financial Officer of the Company.

Effective January 15, 2021, Balu Gopalakrishnan was appointed to the Board.

Effective September 21, 2021, Emily Lerner resigned from the Board.

Financial Performance – Restated

These financial statements have been restated to reflect a private placement which closed on January 28, 2021. The effect of the restatement is to increase cash by \$100,000 and common shares by \$100,000. No other accounts were affected.

Selected Annual Financial Information

The table below summarizes key operating data for the last three fiscal years.

	Year Ended March 31, 2021 (unaudited) \$	Year Ended March 31, 2020 (unaudited) \$	Year Ended March 31, 2019 (unaudited) \$
Total assets	180,239	Nil	Nil
Total liabilities	175,164	140,083	131,583
Revenue	Nil	Nil	Nil
Net loss and comprehensive loss	(55,642)	(8,500)	Nil
Net loss and comprehensive loss per share	(0.01)	(0.00)	0.00
Weighted average shares outstanding	6,721,762	3,324,502	3,324,502

Selected Quarterly Financial Information

The following quarterly results for the eight most recent quarters have been prepared in accordance with IFRS as listed below.

Three Months Ended	Assets	Liabilities	Net Loss and Comprehensive Loss	Net Loss and Comprehensive Loss Per Share	Weighted Average Shares Outstanding
March 31, 2021	\$ 180,239	\$ 175,164	\$ (38,304)	\$ (0.00)	17,102,280
December 31, 2020	Nil	157,421	(12,838)	(0.00)	3,324,502
September 30, 2020	Nil	144,583	(2,250)	(0.00)	3,324,502
June 30, 2020	Nil	142,583	(2,250)	(0.00)	3,324,502
March 31, 2020	Nil	140,083	(8,500)	(0.00)	3,324,502
December 31, 2019	Nil	131,583	-	0.00	3,324,502
September 30, 2019	Nil	131,583	-	0.00	3,324,502
June 30, 2019	Nil	131,583	-	0.00	3,324,502

Year ended March 31, 2021 compared to the year ended March 31, 2020

The Company reported a loss of \$55,642 in the year ended March 31, 2021 (March 31, 2020 - \$8,500). Legal fees to rehabilitate the listing and look for a corporate transaction, and regulatory fees were the most significant increase in the 2021 expenses. Professional fees related to an accrual for audit and financial statement preparation costs, comprised the balance of the expenses in 2021 and 2020. The Company was dormant from December 2013 until March 2020.

Subsequent Events

Subsequent to March 31, 2021, the Company announced that it has entered into a non-binding term sheet (“Term Sheet”) with Jones Soda Co., a craft soda beverage business known for its unconventional flavors and user-designed label artwork.

Under the terms of the Term Sheet, Jones intends to acquire all of the outstanding common shares of the Company (after a planned consolidation of such shares) and warrants exercisable into common shares of the Company in exchange for an aggregate of 4,000,000 shares of Jones common stock (the “**Jones Shares**”) and 1,674,808 warrants exercisable into Jones Shares as part of a statutory plan of arrangement (the “**Plan of Arrangement**”) under the *Business Corporations Act* (British Columbia) and in reliance on applicable exemptions from the prospectus and registration requirements under Canadian and United States securities laws.

The Term Sheet also provides that the Company intends to complete an offering of subscription receipts (“**Subscription Receipts**”) that is expected to be subscribed for by SOL Global Investments Corp. (“SOL”) and certain significant shareholders of the Company, one of whom is Marc Lustig, a well-known and respected Canadian entrepreneur, capital markets executive and investor, or their respective contacts and partners, for minimum aggregate gross proceeds of US\$8,000,000, at a price per Subscription Receipt equal to US\$0.50. The Subscription Receipts are intended to automatically convert into units of the Company (the “**Pinestar Units**”) on a one-for-one basis if certain conditions relating to the Plan of Arrangement are met, with each Pinestar Unit expected to consist of one common share of Pinestar Share and one new share purchase warrant of Pinestar, which are then expected to be immediately exchanged for, or adjusted into, Jones Units as part of the Plan of Arrangement in accordance with a 1:1 exchange ratio.

Related Party Transactions

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with International Accounting Standards 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

On August 1, 2014, Jeremy Ford was issued 500,000 common shares at a deemed price of \$0.05 per common share in the capital of the Company for an aggregate total value of \$25,000, as a repayment of debt for past services rendered.

The Company reported CEO remuneration of \$2,500 paid to a company owned by the CEO, for the year ended March 31, 2021. The Company paid one director \$1,500 and a second director \$1,000 for the year ended March 31, 2021. The Company did not report any remuneration of directors and key management personnel for the year ended March 31, 2020.

Included in statute barred liabilities at March 31, 2021 is \$79,298 (March 31, 2020 - \$79,298) which was due to past directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. The amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Financial Condition

Cash Flow

At March 31, 2021, the Company held cash of \$179,103. The working capital changes during 2021 reflected the proceeds from private placements, accruals for legal costs to preparation and auditing the financial statements.

On January 28, 2021, the Company raised \$100,000 via a private placement of 20,000,000 common shares.

On March 31, 2021, the Company raised \$100,800 via a private placement of 16,800,000 units, with each unit comprising one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.006 per share for a period of three years.

The proceeds will be applied to payment of outstanding payables and for general working capital. Cash has been applied as follows:

	<u>Plan</u>	<u>Actual</u>
Payables and accruals	\$ 8,500	\$ 8,500
HST receivable	5,000	1,136
Regulatory fees	15,000	6,500
Operating costs	171,500	5,561

	200,800	21,697
Cash on hand	-	179,103
	<u>\$ 200,800</u>	<u>\$ 200,800</u>

Critical Accounting Estimates and Changes in Accounting Policies

All significant critical accounting estimates are fully disclosed in Note 3 of the financial statements for the years ended March 31, 2021 and 2020.

Liquidity and Capital Resources

The Company had working capital of as of March 31, 2021 of \$136,658 (2020 – negative working capital of \$8,500). The Company held cash as at March 31, 2021 of \$179,103 (March 31, 2020 - \$Nil).

Management is currently reviewing alternative sources of capital to meet its obligations and short-term working capital requirements. While the Company plans to continue to monitor closely its spending, conditions in the capital markets continue to make it difficult for companies without viable businesses to raise additional capital. The Company may require substantial additional capital to fund any new project.

Historically, the Company has used the net proceeds from issuances of its securities to provide sufficient funds for it to meet its operational plans and other contractual obligations when due. However, given the current market conditions affecting the small capitalization sector, the current trading price of the Company’s common shares and other uncertainties discussed herein, there can be no assurance that the Company will be able to obtain sufficient additional funds on favorable terms, or at all, in order to carry out its objectives. As mentioned elsewhere in this MD&A, the Company is evaluating various strategic alternatives and, if it decides to pursue any such alternative, it may also require additional funds to carry out its strategic plans in amounts that cannot be determined as of the date hereof, which funds may also be unavailable to the Company on favorable terms or at all.

Financial Instruments and Financial Risk Factors

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. As at March 31, 2021 and 2020, the Company carried cash of \$179,103 at fair value, being Level 1 assets. The Company had no other financial instruments carried at fair value to classify in the fair value hierarchy.

As at March 31, 2021 and 2020, carrying amounts of cash approximate fair market value instruments. Amounts receivable, accounts payable and accrued liabilities on the statement of financial position are recorded at their amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At March 31, 2021, the Company had cash and cash equivalents of \$179,103 (March 31, 2020 - \$Nil) available to settle current liabilities of \$43,581 (March 31, 2020 - \$8,500). The Company's accounts payable are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

The Company has no cash and cash equivalents balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at March 31, 2021, the Company does not hold foreign currency balances.

Off-Balance Sheet Arrangements

At March 31, 2021, there were no off-balance sheet arrangements.

Outstanding Share Data

As at the date of this MDA, March 31, 2021, and March 31, 2020, the Company's common shares issued and outstanding were as follows:

	October 17, 2021	March 31, 2021	March 31, 2020
Common Shares	40,124,502	40,124,502	3,324,502
Warrants	16,800,000	16,800,000	—
Stock Options	—	—	—
Fully diluted	56,924,502	56,924,502	3,324,502

Risk Factors

Until a business combination is completed, the Company's risk factors are those related to a successful corporate transaction. The ability of the Company to continue operations is dependent upon its ability to find and close a corporate transaction. Other risk exposures and the impact on the Company's financial instruments are summarized below.

The risks, objectives, policies and procedures from previous years have been adjusted to reflect the pursuit of a corporate transaction. Other risk exposures and the impact on the Company's financial instruments are summarized below.

Current Global Financial Conditions and Trends

Securities of small capitalization companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments globally, and market perceptions of the attractiveness of particular industries. The price of the securities of companies is also significantly affected by short-term changes in the economic and political environments in the countries in which the Company does business. As of March 31, 2021, the global economy continues to be in a period of significant economic volatility, in large part due to US, European, and Middle East economic and political concerns which have impacted global economic growth.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Dependence on Key Individuals

The Company’s business and operations are dependent on retaining the services of a small number of key individuals. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these individuals. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key individuals.

Capital Management

The Company considers its capital to consist of shareholders’ equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support identifying suitable assets or businesses to acquire or merge with, with a view to maximizing shareholder value. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

The Company currently is dependent on external financing to fund its activities. In order to carry out future activities and pay on-going administrative costs, the Company will raise additional amounts as needed. The Company will continue to assess new business opportunities if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company’s approach to capital management in the year ended March 31, 2021. Subsequent to March 31, 2020, Jeremy Ford, Peet Nienaber and Gina A. MacInnes have resigned from the Board. Jeremy Ford has also resigned as President and Chief Executive Officer and Kulwant Sandher has ceased acting as Chief Financial Officer of the Company. The Company has appointed Michael Lerner, Harvey McKenzie and Emily Lerner to the Board in order to fill the vacancies created by the foregoing resignations. In addition, Michael Lerner has been appointed as Chief Executive Officer and Chief Financial Officer of the Company. Subsequent to March 31, 2021, Balu Gopalakrishnan was appointed to the Board and Emily Lerner resigned from the Board.

The Company is not currently subject to externally imposed capital requirements.

Corporate Transactions

The Company could pursue corporate transactions with the ultimate goal to effect a business combination. There is no assurance that a such a transaction could be reached or, even if a transaction is entered into, the transaction will close on the disclosed terms or at all.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain “forward-looking information” as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements.

The Company is pursuing a course of action to pursue a corporate transaction. This course of action may require additional capital. There is no guarantee that the Company will be successful in finding a corporate transaction, or if such transaction is found, that the transaction can be successfully completed. There is no guarantee that, should additional funds be required, such funds would be available to the Company or that if such funds were available the terms would not be onerous.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except

as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

PINESTAR GOLD INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED

SEPTEMBER 30, 2021

PINESTAR GOLD INC
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Six Months Ended September 30, 2021

Introduction

The following interim Management's Discussion and Analysis (the "**MD&A**") of the consolidated financial position and results from operations of Pinestar Gold Inc. (the "**Company**"), is for the six-month period ended September 30, 2021. This MD&A should be read in conjunction with the Company's financial statements for its fiscal years ended March 31, 2021 and 2020 along with accompanying notes to the statements for the years then ended, and unaudited interim financial statements for the six months ended September 30, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 7, 2021 unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The registered office and the head office of the Corporation is located at 1049 Chilco Street, Suite 405, Vancouver, British Columbia V6G 2R7.

This MD&A is dated as of November 7, 2021.

Additional Information

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Business Overview and Corporate Update

Description of the Business

The Company is focused on identifying suitable assets or businesses to acquire or merge with, with a view to maximizing shareholder value. The Company was previously engaged in the business of evaluating, acquiring and exploring mineral properties, but the business failed. The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 8, 2006.

Corporate Update and Outlook

On August 7, 2013, the British Columbia Securities Commission (the “**BCSC**”) issued a cease trade order (the “**2013 CTO**”) suspending trading of the Company’s securities as a result of a delay in filing the Company’s audited financial statements for the financial year ended March 31, 2013 (the “**2013 Annual Financial Statements**”) and the annual MD&A related thereto by the required filing date under applicable Canadian securities laws. As a result of the 2013 CTO, the TSX Venture Exchange (the “**TSXV**”) suspended trading of the Company’s common shares until October 4, 2013, whereupon the Company was reinstated after filing the 2013 Annual Financial Statements, annual MD&A related thereto and a reinstatement application to the TSXV.

On August 8, 2014, the BCSC issued another cease trade order (the “**2014 BCSC CTO**”) suspending trading of the Company’s securities as a result of a delay in filing the Company’s audited financial statements for the financial year ended March 31, 2014 (the “**2014 Annual Financial Statements**”) and the annual MD&A related thereto by the required filing date under applicable Canadian securities laws. On November 5, 2014, the Alberta Securities Commission (the “**ASC**”) issued a cease trade order (the “**2014 ASC CTO**”) as a result of a delay in filing the Company’s 2014 Annual Financial Statements, annual MD&A related thereto and interim unaudited financial statements for the interim period ended June 30, 2014 (the “**2014 Interim Financial Statements**”) and interim MD&A related thereto.

As a result of the 2014 BCSC CTO, the TSXV suspended trading of the Company’s common shares until such time as it accepts a reinstatement application by the Company and on November 4, 2014, the Company’s common shares were transferred to the NEX Board of the TSXV. The shares were delisted on May 2, 2016.

The Company applied for partial revocations of the 2014 BCSC CTO and 2014 ASC CTOs, and on December 23, 2020, the BCSC and ASC granted partial revocations, solely to permit the Company to complete a non-brokered private placement for aggregate gross proceeds of up to \$100,000, through the issuance of up to 20,000,000 common shares in the capital of the Company at a price of \$0.005 per common share (the “**Offering**”). The Company completed the Offering pursuant to the partial revocations on January 28, 2021 raising \$100,000 through the non-brokered issuance of 1,993,817 common shares. The Company applied for full revocations of the 2014 BCSC CTO and 2014 ASC CTO and the revocations were granted on March 22, 2021.

On March 31, 2021, the Company closed a non-brokered private placement of 1,674,808 units for cash proceeds of \$100,800. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.0602 per share for a period of three years. The proceeds were allocated as \$65,019 to common shares and \$35,781 for the warrants to reserves.

The Company's assets were written off in 2015 and the Company's liabilities were reclassified as statute barred in 2017.

The Company's business is managed by the directors and officers and augmented by independent professionals retained to advise the Company on its business.

Changes to Board of Directors and Management

Effective January 23, 2015, as a result of the sudden passing of Raymond Jefferd in December 2014, Gina A. MacInnes was appointed to the Board in order to fill the vacancy.

Effective December 3, 2020, Jeremy Ford, Peet Nienaber and Gina A. MacInnes have resigned from the Board. Jeremy Ford has also resigned as President and Chief Executive Officer and Kulwant Sandher has ceased acting as Chief Financial Officer of the Company. The Company has appointed Michael Lerner, Harvey McKenzie and Emily Lerner to the Board in order to fill the vacancies created by the foregoing resignations. In addition, Michael Lerner has been appointed as Chief Executive Officer and Chief Financial Officer of the Company.

Effective January 15, 2021, Balu Gopalakrishnan was appointed to the Board.

Effective September 21, 2021, Emily Lerner resigned from the Board.

Financial Performance

Selected Annual Financial Information

On November 2, 2021, the Company announced a share consolidation on the basis of one new share for each 10.031 pre-consolidation shares. Following the consolidation, the Company had approximately 4,000,050 common shares outstanding. These financial statements reflect the consolidation in all reported periods.

The table below summarizes key operating data for the last three fiscal years.

	Year Ended March 31, 2021 (unaudited) \$	Year Ended March 31, 2020 (unaudited) \$	Year Ended March 31, 2019 (unaudited) \$
Total assets	180,239	Nil	Nil
Total liabilities	175,164	140,083	131,583
Revenue	Nil	Nil	Nil
Net loss and comprehensive loss	(55,642)	(8,500)	Nil
Net loss and comprehensive loss per share	(0.08)	(0.03)	0.00
Weighted average shares outstanding	670,099	331,423	331,423

Selected Quarterly Financial Information

The following quarterly results for the eight most recent quarters have been prepared in accordance with IFRS as listed below.

Three Months Ended	Assets	Liabilities	Net Loss and Comprehensive Loss	Net Loss and Comprehensive Loss Per Share	Weighted Average Shares Outstanding
September 30, 2021	\$ 102,654	\$ 183,598	\$ (43,390)	\$ (0.01)	4,000,048
June 30, 2021	124,937	162,491	(42,629)	(0.01)	4,000,048
March 31, 2021	180,239	175,164	(38,304)	(0.02)	1,704,941
December 31, 2020	Nil	157,421	(12,838)	(0.04)	331,423
September 30, 2020	Nil	144,583	(2,250)	(0.01)	331,423
June 30, 2020	Nil	142,583	(2,250)	(0.01)	331,423
March 31, 2020	Nil	140,083	(8,500)	(0.03)	331,423
December 31, 2019	Nil	131,583	-	0.00	331,423

Three months ended September 30, 2021 compared to the three months ended September 30, 2020

The Company reported a loss of \$43,390 in the three-month period ended September 30, 2021 (September 30, 2020 – loss of \$2,500). Management fees of \$10,000, professional fees related to a potential transaction and an accrual for audit and financial statement preparation costs, combined with public company costs, comprised the September 2021 expenses. The September 2020 costs related to audit and financial statement preparation expenses.

Six months ended September 30, 2021 compared to the six months ended September 30, 2020

The Company reported a loss of \$86,019 in the six-month period ended September 30, 2021 (September 30, 2020 – loss of \$4,500). Management fees of \$10,000, professional fees related to a potential transaction and an accrual for audit and financial statement preparation costs, combined with public company costs, comprised the September 2021 expenses. The September 2020 costs related to audit and financial statement preparation expenses.

Potential Transaction

In July, 2021, the Company announced that it had entered into a non-binding term sheet ("**Term Sheet**") with Jones Soda Co., a craft soda beverage business known for its unconventional flavors and user-designed label artwork.

Under the terms of the Term Sheet, Jones intends to acquire all of the outstanding common shares of the Company (after a planned consolidation of such shares) and warrants exercisable into common shares of the Company in exchange for an aggregate of 4,000,000 shares of Jones common stock (the "**Jones Shares**") and 1,674,808 warrants exercisable into Jones Shares as part of a statutory plan of arrangement (the "**Plan of Arrangement**") under the *Business Corporations Act* (British Columbia) and in reliance on applicable exemptions from the prospectus and registration requirements under Canadian and United States securities laws.

The Term Sheet also provides that the Company intends to complete an offering of subscription receipts ("**Subscription Receipts**") that is expected to be subscribed for by SOL Global Investments Corp. ("SOL") and certain significant shareholders of the Company, one of whom is Marc Lustig, a well-known and respected Canadian entrepreneur, capital markets executive and investor, or their respective contacts and partners, for minimum aggregate gross proceeds of US\$8,000,000, at a price per Subscription Receipt equal to US\$0.50. The Subscription Receipts are intended to automatically convert into units of the Company (the "**Pinestar Units**") on a one-for-one basis if certain conditions relating to the Plan of Arrangement are met, with each Pinestar Unit expected to consist of one common share of Pinestar Share and one new share purchase warrant of Pinestar, which are then expected to be immediately exchanged for, or adjusted into, Jones Units as part of the Plan of Arrangement in accordance with a 1:1 exchange ratio.

Related Party Transactions

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company did not pay or expense fees to any directors and key management personnel for the periods ended September 30, 2021 or 2020.

Included in statute barred liabilities at September 30, 2021 is \$79,298 (March 31, 2021 - \$79,298) which was due to directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. The amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Financial Condition

Cash Flow

At September 30, 2021, the Company held cash of \$91,612. The working capital changes during the September 2021 period reflected operating expenses.

On January 28, 2021, the Company raised \$100,000 via a private placement of 1,993,817 common shares.

On March 31, 2021, the Company closed a non-brokered private placement of 1,674,808 units for cash proceeds of \$100,800. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.0602 per share for a period of three years. The proceeds were allocated as \$65,019 to common shares and \$35,781 for the warrants to reserves.

The proceeds will be applied to payment of outstanding payables and for general working capital. Cash has been applied as follows:

	<u>Plan</u>	<u>Actual</u>
Payables and accruals	\$ 8,500	\$ 8,500
HST receivable	5,000	11,042
Regulatory fees	15,000	10,384
Operating costs	172,300	79,262
	<hr/> 200,800	<hr/> 109,188
Cash on hand	-	91,612
	<hr/> \$200,800	<hr/> \$200,800

Critical Accounting Estimates and Changes in Accounting Policies

All significant critical accounting estimates are fully disclosed in Note 3 of the financial statements for the periods ended September 30, 2021 and 2020.

Liquidity and Capital Resources

The Company had working capital as of September 30, 2021 of \$50,639 (March 31, 2021 - \$136,658). The Company held cash as at September 30, 2020 of \$91,612 (March 31, 2021 - \$179,103).

Management is currently reviewing alternative sources of capital to meet its obligations and short-term working capital requirements. While the Company plans to continue to monitor closely its spending, conditions in the capital markets continue to make it difficult for companies without viable businesses to raise additional capital. The Company may require substantial additional capital to fund any new project.

Historically, the Company has used the net proceeds from issuances of its securities to provide sufficient funds for it to meet its operational plans and other contractual obligations when due. However, given the current market conditions affecting the small capitalization sector, the current trading price of the Company's common shares and other uncertainties discussed herein, there can be no assurance that the Company will be able to obtain sufficient additional funds on favorable terms, or at all, in order to carry out its objectives. As mentioned elsewhere in this MD&A, the Company is evaluating various strategic alternatives and, if it decides to pursue any such alternative, it may also require additional funds to carry out its strategic plans in amounts that cannot be determined as of the date hereof, which funds may also be unavailable to the Company on favorable terms or at all.

Financial Instruments and Financial Risk Factors

International financial reporting standards require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. At September 30, 2021 the Company carried cash of \$91,612 at fair value, being Level 1 assets. At March 31, 2021, the Company carried cash of \$179,103 at fair value, being Level 1 assets. The Company had no other financial instruments carried at fair value to classify in the fair value hierarchy.

As at September 30, 2021 and March 31, 2021, carrying amounts of cash approximate fair market value instruments. Amounts receivable, accounts payable and accrued liabilities on the statement of financial position are recorded at their amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk

concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At September 30, 2021, the Company had cash and cash equivalents of \$91,612 (March 31, 2021 - \$179,103) available to settle current liabilities of \$52,015 (March 31, 2021 - \$43,581). The Company's accounts payable are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

The Company has no cash and cash equivalents balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at September 30, 2021, the Company does not hold foreign currency balances.

Off-Balance Sheet Arrangements

At September 30, 2021, there were no off-balance sheet arrangements.

Outstanding Share Data

On November 2, 2021, the Company announced a share consolidation on the basis of one new share for each 10.031 pre-consolidation shares. Following the consolidation, the Company had approximately 4,000,048 common shares outstanding. These financial statements reflect the consolidation in all reported periods.

As at the date of this MDA, September 30, 2021, and March 31, 2021, the Company's common shares issued and outstanding were as follows:

	November 7, 2021	September 30, 2021	March 31, 2021
Common Shares	4,000,048	4,000,048	4,000,048
Warrants	1,671,808	1,671,808	1,671,808
Stock Options	—	—	—
Fully diluted	5,671,856	5,671,856	5,671,856

Risk Factors

Until a business combination is completed, the Company's risk factors are those related to a successful corporate transaction. The ability of the Company to continue operations is dependent upon its ability to find and close a corporate transaction. Other risk exposures and the impact on the Company's financial instruments are summarized below.

The risks, objectives, policies and procedures from previous years have been adjusted to reflect the pursuit of a corporate transaction. Other risk exposures and the impact on the Company's financial instruments are summarized below.

Current Global Financial Conditions and Trends

Securities of small capitalization companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments globally, and market perceptions of the attractiveness of particular industries. The price of the securities of companies is also significantly affected by short-term changes in the economic and political environments in the countries in which the Company does business. As of May 31, 2020, the global economy continues to be in a period of significant economic volatility, in large part due to US, European, and Middle East economic and political concerns which have impacted global economic growth.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as 'COVID-19', has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of

the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Dependence on Key Individuals

The Company's business and operations are dependent on retaining the services of a small number of key individuals. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these individuals. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key individuals.

Capital Management

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for Management, but rather relies on the expertise of the Company's Management to sustain future development of the business.

The Company currently is dependent on external financing to fund its activities. In order to carry out future activities and pay on-going administrative costs, the Company will raise additional amounts as needed. The Company will continue to assess new business opportunities if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management in the period ended June 30, 2021.

The Company is not currently subject to externally imposed capital requirements.

Corporate Transactions

The Company could pursue corporate transactions with the ultimate goal to effect a business combination. There is no assurance that a such a transaction could be reached or, even if a transaction is entered into, the transaction will close on the disclosed terms or at all.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking information" as defined in applicable securities laws (collectively referred to herein as "**forward-looking statements**"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are

forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements.

The Company is pursuing a course of action to pursue a corporate transaction. This course of action may require additional capital. There is no guarantee that the Company will be successful in finding a corporate transaction, or if such transaction is found, that the transaction can be successfully completed. There is no guarantee that, should additional funds be required, such funds would be available to the Company or that if such funds were available the terms would not be onerous.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

SCHEDULE D
JONES SODA ANNUAL FINANCIAL STATEMENTS

[See Attached]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Jones Soda Co.
Bellevue, Washington

Opinion on the Consolidated Financial Statements

We have audited the accompanying balance sheets of Jones Soda Co. (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, shareholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has negative cash flows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 6 to the consolidated financial statements, the Company has changed its method for accounting for leases during the year ended December 31, 2019 due to the adoption of Topic 842, *Leases*.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Promotional allowances

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

We identified the estimation of promotional allowances as a critical audit matter. In estimating the promotional allowances, management's estimates include (i) determining the completeness of the various promotional allowances with customers and the forecasted sales volume for the period, and (ii) assessing the amount of promotional allowances that are expected to be redeemed subsequent to period end. Auditing of this estimate involves additional audit effort due to the varying terms of the promotional allowances and the uncertainty of the timing and utilization of the promotional allowances.

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

- Assessing management's judgment and assumptions included in the estimation of the liability for promotional allowances by: (i) analyzing the customer base and historical promotional allowances offered to customers, and (ii) testing a sample of transactions with historical promotional offer redemptions; and
- Testing the completeness and accuracy of the estimate by: (i) reperforming calculations and agreeing to historical data, (ii) comparing the estimate to the revenue for the current period and current promotional offer redemptions to historical estimates, and (iii) comparing to actual promotional allowances applied subsequent to year end to the promotional allowance estimated as of year end.



Armanino^{LLP}

We have served as the Company's auditor since 2021.

Bellevue, Washington
January 6, 2022

JONES SODA CO.

CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,614	\$ 5,969
Accounts receivable, net of allowance of \$93 and \$44	1,581	1,573
Inventory	1,856	1,788
Prepaid expenses and other current assets	193	310
Total current assets	<u>8,244</u>	<u>9,640</u>
Fixed assets, net of accumulated depreciation of \$554 and \$484	305	162
Other assets	33	33
Right of use lease asset	471	17
Total assets	<u>\$ 9,053</u>	<u>\$ 9,852</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,385	\$ 554
Lease liability, current portion	102	18
Accrued expenses	853	663
Taxes payable	6	10
Current portion of SBA Loan	140	-
Total current liabilities	<u>2,486</u>	<u>1,245</u>
Convertible subordinated notes payable, net	1,386	1,333
Accrued interest expense	232	147
SBA loan, net of current portion	195	-
Lease liability, net of current portion	375	-
Total liabilities	<u>4,674</u>	<u>2,725</u>
Shareholders' equity (deficit):		
Common stock, no par value:		
Authorized — 100,000,000; issued and outstanding shares — 61,975,748 shares and 61,566,076 shares, respectively	73,953	73,773
Accumulated other comprehensive income	411	342
Accumulated deficit	(69,985)	(66,988)
Total shareholders' equity	<u>4,379</u>	<u>7,127</u>
Total liabilities and shareholders' equity	<u>\$ 9,053</u>	<u>\$ 9,852</u>

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2020	2019
	(In thousands, except share data)	
Revenue	\$ 11,895	\$ 11,508
Cost of goods sold	9,216	9,125
Gross profit	2,679	2,383
Operating expenses:		
Selling and marketing	2,579	2,447
General and administrative	2,928	2,288
Total operating expenses	5,507	4,735
Loss from operations	(2,828)	(2,352)
Interest income	24	50
Interest expense	(151)	(442)
Other expense, net	(15)	(5)
Loss before income taxes	(2,970)	(2,749)
Income tax expense, net	(27)	(29)
Net loss	\$ (2,997)	\$ (2,778)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.05)
Weighted average common shares outstanding – basic and diluted	61,792,285	51,109,086

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	(In thousands)	
Net loss	\$ (2,997)	\$ (2,778)
Other comprehensive income:		
Foreign currency translation adjustment	69	46
Total comprehensive loss	<u>\$ (2,928)</u>	<u>\$ (2,732)</u>

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
Years Ended December 31, 2020 and 2019

	Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Number	Amount			
	(In thousands, except share data)				
Balance as of December 31, 2018	41,464,373	\$ 63,211	\$ 296	\$ (64,210)	\$ (703)
Share-based compensation	163,179	141	-	-	141
Common stock issuance on conversion of notes payable	4,868,079	1,558	-	-	1,558
Common stock and warrants issued, net of offering costs of \$183	15,000,000	8,817	-	-	8,817
Issuance of common stock upon exercise of stock options	70,445	28	-	-	28
Beneficial conversion feature on paid-in-kind interest	-	18	-	-	18
Net loss	-	-	-	(2,778)	(2,778)
Other comprehensive income	-	-	46	-	46
Balance as of December 31, 2019	61,566,076	\$ 73,773	\$ 342	\$ (66,988)	\$ 7,127
Share-based compensation	409,672	168	-	-	168
Beneficial conversion feature on paid-in-kind interest	-	12	-	-	12
Net loss	-	-	-	(2,997)	(2,997)
Other comprehensive income	-	-	69	-	69
Balance as of December 31, 2020	61,975,748	\$ 73,953	\$ 411	\$ (69,985)	\$ 4,379

See accompanying notes to consolidated financial statements.

JONES SODA CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
	(In thousands)	
OPERATING ACTIVITIES:		
Net loss	\$ (2,997)	\$ (2,778)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	136	316
Stock-based compensation	174	141
Change in allowance for doubtful accounts	49	4
Changes in operating assets and liabilities:		
Accounts receivable	(46)	(202)
Inventory	(63)	(430)
Prepaid expenses and other current assets	83	(30)
Accounts payable	824	(508)
Accrued expenses	307	139
Taxes payable	(4)	11
Other liabilities	5	(7)
Net cash used in operating activities	(1,532)	(3,344)
INVESTING ACTIVITIES:		
Purchase of fixed assets	(214)	(121)
Net cash used in investing activities	(214)	(121)
FINANCING ACTIVITIES:		
Repayments on line of credit, net of proceeds	-	(428)
Proceeds from exercise of stock options	-	28
Proceeds from issuance of common stock and warrants, net	-	8,817
Proceeds from PPP SBA loan	335	-
Payment of taxes on RSU withholding	(6)	-
Net cash provided by financing activities	329	8,417
Net decrease in cash and cash equivalents	(1,417)	4,952
Effect of exchange rate changes on cash	62	26
Cash and cash equivalents, beginning of period	5,969	991
Cash and cash equivalents, end of period	\$ 4,614	\$ 5,969
Supplemental disclosure:		
Cash paid during period for:		
Interest	\$ -	\$ 45
Income taxes	22	18
Supplemental disclosure of non-cash transactions:		
Conversion of notes payable	\$ -	\$ 1,558
Recognition of lease liability and right-of-use asset	556	-
Beneficial conversion feature on convertible notes interest	12	18

See accompanying notes to consolidated financial statements.

JONES SODA CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Years Ended December 31, 2020 and 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Jones Soda Co. develops, produces, markets and distributes premium beverages which it sells and distributes primarily in the United States and Canada through its network of independent distributors and directly to its national and regional retail accounts.

We are a Washington corporation and have two operating subsidiaries, Jones Soda Co. (USA) Inc. and Jones Soda (Canada) Inc. (Subsidiaries).

Basis of presentation and consolidation

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

Liquidity

As of December 31, 2020 and 2019, we had cash and cash-equivalents of approximately \$4.6 million and \$6.0 million, respectively, and working capital of approximately \$5.8 million and \$8.4 million, respectively. Net cash used in operations during fiscal years 2020 and 2019 totaled approximately \$1.5 million and \$3.3 million, respectively.

We have experienced recurring losses from operations and negative cash flows from operating activities. This situation creates uncertainties about our ability to execute our business plan, finance operations, and indicates substantial doubt about the Company's ability to continue as a going concern. On July 14, 2021, we received net proceeds of \$1.7 million in connection with the issuance of an unsecured convertible debenture to SOL Verano Blocker 1 LLC (the "Convertible Debenture").

We believe that the recent financing helps alleviate the conditions which initially indicated substantial doubt about our ability to continue as a going concern. However, we have experienced and continue to experience negative cash flows from operations, as well as an ongoing requirement for additional capital to support working capital needs. Therefore, even with these proceeds, we may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of financing to fund those needs will depend on a number of factors, including the receipt of any proceeds from the planned Concurrent Offering (defined below) as well as from any other financing we complete in connection with the Arrangement (defined below), our strategic initiatives and operating plans, our ability to execute our plans to develop and market cannabis-infused beverages and edibles and the timing and costs of the development of this new product line, our estimates of the size of the markets for our potential cannabis products, the performance of our business and the market conditions for available debt or equity financing. Additionally, the amount of capital required will depend on our ability to meet our sales goals and otherwise successfully execute our operating plan. We believe it is imperative that we meet these sales objectives in order to lessen our reliance on external financing in the future. We intend to continually monitor and adjust our operating plan as necessary to respond to developments in our business, our markets and the broader economy. In addition, the continuation of the COVID-19 pandemic and uncertain market conditions may limit our ability to access capital, may reduce demand for certain products, and may negatively impact our supply chain.

Although we believe various debt and equity financing alternatives will be available to us to support our working capital needs, financing arrangements on acceptable terms may not be available to us when needed. In addition, the terms of the Convertible Debenture restrict, among other things, the amount of additional debt the Company can incur, as well as the number of shares of common stock the Company may issue, without the consent of the debentureholder. Moreover, any debt or equity financing alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders. Any such financing alternatives may not provide us with sufficient funds to meet our long-term capital requirements. If necessary, we may explore strategic transactions, in addition to the Arrangement, Concurrent Financing and any related financings that we consider to be in the best interest of our company and our shareholders, which may include, without limitation, public or private offerings of debt or equity securities, a rights offering, and other strategic alternatives; however, these options may not ultimately be available or feasible when needed.

Use of estimates

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

Cash and cash equivalents

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

Fair value of financial instruments

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

The carrying amounts for cash and cash equivalents, receivables, and payables approximate fair value due to the short-term maturity of these instruments. During the first half of 2018, we issued an aggregate principal amount of \$2,920,000 of convertible subordinated promissory notes (the "Convertible Notes"). The fair value remaining of Convertible Notes outstanding was approximately \$1,483,000 and \$1,437,000 as of December 31, 2020 and 2019, respectively. The fair value of Convertible Notes was estimated using a discounted cash flow analysis based on current market interest rates, which represent level 2 inputs in the fair value hierarchy.

Accounts receivable

Our accounts receivable balance primarily includes balances from trade sales to distributors and retail customers. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance for doubtful accounts based primarily on historical write-off experience. Account balances that are deemed uncollectible, are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Allowances for doubtful accounts of approximately \$93,000 and \$44,000 as of December 31, 2020 and 2019, respectively, are netted against accounts receivable. Changes in accounts receivable are primarily due to the timing and magnitude of orders of products, the timing of when control of products is transferred to distributors and the timing of cash collections.

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 44	\$ 40
Net charges to bad debt expense	95	48
Write-offs	(46)	(44)
Balance, end of year	<u>\$ 93</u>	<u>\$ 44</u>

As of December 31, 2020, one customer made up 18% of our outstanding accounts receivable. As of December 31, 2019, two customers made up 26% of our outstanding accounts receivable.

Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value and include adjustments for estimated obsolete or excess inventory. Cost is based on actual cost on a first-in first-out basis. Raw materials that will be used in production in the next twelve months are recorded in inventory. The provisions for obsolete or excess inventory are based on estimated forecasted usage of inventories. A significant change in demand for certain products as compared to forecasted amounts may result in recording additional provisions for obsolete inventory. Provisions for obsolete or excess inventory are recorded as cost of goods sold and totaled \$5,000 and \$9,000 as of December 31, 2020 and 2019, respectively.

Fixed assets

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

<u>Asset</u>	<u>Rate</u>
Equipment	20% to 30%
Vehicles and office and computer equipment	30%

Impairment of long-lived assets

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

Foreign currency translation

The functional currency of our Canadian subsidiary is the Canadian dollar. We translate assets and liabilities related to these operations to U.S. dollars at the exchange rate in effect at the date of the consolidated balance sheet; we convert revenues and expenses into U.S. dollars using the average monthly exchange rates. Translation gains and losses are reported as a separate component of accumulated other comprehensive income. Transaction gains and losses arising from the transactions denominated in a currency other than the functional currency are included in other expense, net in the accompanying consolidated statement of operations. Net transaction gains were \$22,000 and \$4,000 for 2020 and 2019, respectively.

Revenue recognition

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

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

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

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

The Company's performance obligations are satisfied at the point in time when products are received by the customer, which is when the customer has title and the significant risks and rewards of ownership. Therefore, the Company's contracts have a single performance obligation (delivery of product). The Company primarily receives fixed consideration for sales of product, subject to adjustment as described below. Shipping and handling amounts paid by customers are primarily for online orders, and are included in revenue, and totaled \$70,000 and \$71,000 for the years ended December 31, 2020 and 2019, respectively. Sales tax and other similar taxes are excluded from revenue.

Revenue is recorded net of provisions for discounts, slotting fees payable by us to retailers to stock our products and promotion allowances. Discounts, slotting fees and promotional allowances vary the consideration the Company is entitled to in exchange for the sale of products to distributors. The Company estimates these discounts, slotting fees and promotional allowances in the same period that the revenue is recognized for product sales to customers. These estimates are based on contract terms and our historical experience with similar programs and require management judgement with respect to estimating customer participation and performance levels. Differences between estimated expense and actual costs are normally insignificant and are recognized in earnings in the period such differences are determined. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. The liability for promotional allowances is included in accrued expenses on the consolidated balance sheets. Amounts paid for slotting fees are recorded as prepaid expenses on the consolidated balance sheets and amortized over the corresponding term. For the years ended December 31, 2020 and 2019, our revenue was reduced by approximately \$1.6 million and \$1.7 million, respectively, for slotting fees and promotion allowances.

All sales to distributors and customers are generally final. In limited instances we may accept returned product due to quality issues or distributor terminations, and in such situations we would have variable consideration. To date, returns have not been material. The Company's customers generally pay within 30 days from the receipt of a valid invoice. The Company offers prompt pay discounts of up to 2% to certain customers typically for payments made within 15 days. Prompt pay discounts are estimated in the period of sale based on experience with sales to eligible customers. Early pay discounts are recorded as a deduction to the accounts receivable balance presented on the consolidated balance sheets.

Advertising costs

Advertising costs, which also include promotions and sponsorships, are expensed as incurred. During the years ended December 31, 2020 and 2019, we incurred advertising costs of \$557,000 and \$518,000, respectively.

Income taxes

We account for income taxes by recognizing the amount of taxes payable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We perform periodic evaluations of recorded tax assets and liabilities and maintain a valuation allowance, if considered necessary based on whether they are more likely than not to be realized. The determination of taxes payable for the current year includes estimates. We believe that we have appropriate support for the income tax positions taken, and to be taken, on our tax returns and that our accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. No reserves for an uncertain income tax position have been recorded for the years ended December 31, 2020 or 2019.

Net loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed by adjusting the weighted average number of common shares by the effective net exercise or conversion of all dilutive securities. Due to the net loss in 2020 and 2019, outstanding stock options amounting to 3,589,783 and 3,495,601, shares issuable upon the conversion of the Convertible Notes of 5,372,440 and 5,095,308, unvested restricted stock units of zero and 149,824, and stock warrants of zero and 15,000,000 at December 31, 2020 and 2019, respectively, were anti-dilutive.

Comprehensive loss

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

Seasonality

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

Deferred financing costs

We defer costs related to the issuance of debt which are included on the accompanying balance sheets as a deduction from the debt liability. Deferred financing costs are amortized over the term of the related loan and are included as a component of interest expense on the accompanying consolidated statements of operations.

Recent accounting guidance

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, "Debt-Debt with Conversion and other options" which simplifies the accounting for convertible debt instruments and convertible preferred stock. The ASU is effective for public companies for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the impact ASU 2020-06 could have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments: Credit Losses ("ASU 2016-13"), which changes the impairment model for most financial instruments, including trade receivables from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU is effective for us in the first quarter of 2023 and must be adopted using a modified retrospective transition approach. We are currently evaluating the potential impact that the adoption of ASU 2016-13 will have on our consolidated financial statements.

2. Inventory

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

	December 31, 2020	December 31, 2019
Finished goods	\$ 1,142	\$ 1,120
Raw materials	714	668
	<u>\$ 1,856</u>	<u>\$ 1,788</u>

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

3. Fixed Assets

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

	2020	2019
Vehicles	\$ 525	\$ 367
Leasehold improvements and equipment	146	154
Office and computer equipment	188	125
	<u>859</u>	<u>646</u>
Accumulated depreciation	(554)	(484)
	<u>\$ 305</u>	<u>\$ 162</u>

4. Accrued Expenses

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

	2020	2019
Employee benefits	\$ 86	\$ 87
Selling and marketing	187	257
Other accruals	580	319
	<u>\$ 853</u>	<u>\$ 663</u>

5. Convertible Subordinated Notes Payable

On March 23, 2018, and April 18, 2018, we issued and sold an aggregate principal amount of \$2,920,000 of convertible subordinated promissory notes (the "Convertible Notes") to institutional investors and our management team, and other individual investors.

The Convertible Notes have a four-year term from the date of issuance and bear interest at 6% per annum until maturity on March 23, 2022, and April 18, 2022. The holders can convert the Convertible Notes at any time into the number of shares of our common stock equal to the quotient obtained by dividing (i) the amount of the unpaid principal and interest on such Convertible Note by (ii) \$0.32 (the "Conversion Price"). The Conversion Price is subject to anti-dilution adjustment on a broad-based, weighted average basis if we issue shares or equity-linked instruments at a conversion price below \$0.32 per share. No payments of principal or interest are due until the maturity.

The Convertible Notes are subordinated in right of payment to the prior payment in full of all of our Senior Indebtedness, which is defined as amounts due in connection with our indebtedness for borrowed money to banks, commercial finance lenders, or other lending institutions regularly engaged in the business of lending money, with certain restrictions.

During 2020, no Convertible Notes were converted. During 2019, Convertible Notes in the aggregate principal amount of \$1.4 million and related accrued interest were converted into 4,868,079 shares of common stock in accordance with the original terms of the Convertible Notes. As a result, the carrying amount of the converted principal amount of such Convertible Notes, along with the converted accrued interest, in an aggregate amount of \$1,558,000, was credited to common stock and unamortized discounts in an amount equal to \$262,000 were recognized as interest expense during 2019. There were additional conversions of the Convertible Notes subsequent to December 31, 2020. See Note 13 below.

The fair value of our common stock on the March 23, 2018, closing date for the issuance of the Convertible Notes was \$0.36 per share, therefore, the Convertible Notes contained a beneficial conversion feature with an aggregate intrinsic value of \$350,000. The fair value of our common stock on the April 18, 2018, closing date for the issuance of the Convertible Notes was \$0.30 per share, which did not result in an additional beneficial conversion feature. The resulting debt discount for the Convertible Notes issued on March 23, 2018 is presented as a direct deduction from the carrying value of the Convertible Notes and was recorded with an increase to additional paid-in capital. The discount along with the related closing costs amounting to \$137,000 are amortized through interest expense over the term of the Convertible Notes. The balance of notes payable is presented net of unamortized discounts amounting to \$88,000 and \$141,000 at December 31, 2020 and 2019, respectively. The principal balance of notes payable to related parties amounted to \$120,000 at December 31, 2020 and 2019.

Principal payments are as follows for the years ending December 31 (in thousands):

2021	\$	-
2022		1,474
	<u>\$</u>	<u>1,474</u>

6. Lease Obligations

We currently lease approximately 6,500 square feet of retail/office space in Seattle, Washington for our principal executive and administrative offices. The initial term of the lease was five years; in February 2020, we amended the lease to extend the term through February 28, 2025. As a result of the lease amendment, we recognized a lease liability and right-of-use asset of \$556,000 which represents the remaining lease payments discounted at a rate of 4%. As of December 31, 2020, this lease had a remaining lease term of 4.17 years.

During the years ended December 31, 2020 and 2019, we incurred rental expenses of \$162,000 and \$133,000 respectively. During the years ended December 31, 2020 and 2019, we made cash payments of \$158,000 and \$139,000, respectively.

Management fees and other operational expenses were immaterial. Cash payments on our operating lease are presented as operating cash outflows in the consolidated statements of cash flows. Under the lease amendment, the annual payments excluding management fees and other operations expenses will be as follows (in thousands):

2021	\$	119
2022		122
2023		126
2024		130
2025		<u>22</u>
Total lease payments		519
Less: imputed interest		<u>(42)</u>
Total remaining lease liability	\$	<u><u>477</u></u>

On January 1, 2019, the Company adopted Topic 842: *Leases*, which requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than twelve months on its balance sheets. Upon adoption, the Company recorded a lease liability and right-of-use asset of \$124,000 and \$116,000, respectively, on the consolidated balance sheet as of January 1, 2019. The adoption of ASC Topic 842 did not have a material impact on either the consolidated statement of operations or consolidated statement of cash flows for the year ended December 31, 2019.

7. Shareholders' Equity

Under the terms of our 2011 Incentive Plan (the "Plan"), the number of shares authorized under the Plan may be increased each January 1st by an amount equal to the least of (a) 1,300,000 shares, (b) 4.0% of our outstanding common stock as of the end of our immediately preceding fiscal year, and (c) a lesser amount determined by the Board of Directors (the Board), provided that the number of shares that may be granted pursuant to awards in a single year may not exceed 10% of our outstanding shares of common stock on a fully diluted basis as of the end of the immediately preceding fiscal year. Effective January 1, 2021, the total number of shares of common stock authorized under the Plan was 12,084,032 shares.

Under the terms of the Plan, the Board may grant awards to employees, officers, directors, consultants, agents, advisors and independent contractors. Awards may consist of stock options, stock appreciation rights, stock awards, restricted stock, stock units, performance awards or other stock or cash-based awards. Stock options are granted at the closing price of our stock on the date of grant, and generally have a ten-year term and vest over a period of 48 months with the first 25.0% cliff vesting one year from the grant date and monthly thereafter. As of December 31, 2020, there were 6,972,192 shares of unissued common stock authorized and available for future awards under the Plan.

(a) Stock options:

A summary of our stock option activity is as follows:

	<u>Outstanding Options</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balance at January 1, 2020	3,495,601	\$ 0.46
Options granted	1,329,450	0.21
Options cancelled/expired	<u>(1,235,268)</u>	<u>0.49</u>
Balance at December 31, 2020	3,589,783	\$ 0.36
Exercisable, December 31, 2020	2,544,290	\$ 0.40
Vested and expected to vest	3,310,406	\$ 0.37

The following table summarizes information about stock options outstanding and exercisable under our stock incentive plans at December 31, 2020:

	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.15 to \$0.50	3,310,033	6.88	\$ 0.33	2,264,540	5.79	\$ 0.36
\$0.51 to \$1.09	244,750	4.49	0.69	244,750	4.49	0.69
\$1.10 to \$2.99	35,000	0.33	1.23	35,000	0.33	1.23
	<u>3,589,783</u>	6.66	0.36	<u>2,544,290</u>	5.59	0.40

(b) Restricted stock awards:

Prior to December 31, 2019, equity compensation for non-employee director service consisted of an annual restricted stock unit award that vested over one year, with the number of shares underlying such award being determined by dividing \$15,000 by the closing share price on the date of grant (which was the first business day in January in each calendar year); when joining the Board each non-employee director received an initial restricted stock unit award that vested over one year, the number of shares underlying such award being determined by dividing \$15,000 by the Company's closing stock price on the date of grant (which was the first trading day following the date on which such director was appointed), prorated based on the date on which such director was appointed.

A summary of our restricted stock activity is as follows:

	Restricted Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Contractual Life
Non-vested restricted stock at January 1, 2020	149,824	\$ 0.33	9.1
Vested	(149,824)	0.33	—
Non-vested restricted stock at December 31, 2020	—	\$ —	—

We withheld a total of 17,928 shares as payment for withholding taxes due in connection with the vesting of restricted stock awards during the period ending December 31, 2020, and the average price paid per share of \$0.31 reflects the average market value per share of the shares withheld for tax purposes.

Commencing as of January 1, 2020, equity compensation for non-employee director service consists of the grant of an annual non-qualified stock option award that vests on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award determined by dividing \$25,000 by the closing stock price (as quoted on the OTCQB marketplace) on the date of grant (which shall be the first trading day in January in each calendar year), and such stock option award shall have an exercise price equal to our closing stock price (as quoted on the OTCQB marketplace) on the date of grant. When joining our board of directors, each non-employee director shall be granted a non-qualified stock option award that vests on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award determined by dividing \$25,000 by our closing stock price on the first trading day following the date on which such director is appointed), prorated based on the date on which such director is appointed, and which stock option shall be granted as of the first trading day following the date on which such director was appointed, and shall have an exercise price equal to our closing stock price (as quoted on the OTCQB marketplace) on the date of grant.

(c) Stock-based compensation expense:

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

At December 31, 2020, we had unrecognized compensation expense related to stock options and non-vested stock of \$76,000 to be recognized over a weighted-average period of 2.8 years.

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

	Year Ended December 31,	
	2020	2019
Type of awards:		
Stock options	\$ 162	\$ 101
Restricted stock	12	40
	<u>\$ 174</u>	<u>\$ 141</u>
Income statement account:		
Selling and marketing	\$ 65	\$ 45
General and administrative	109	96
	<u>\$ 174</u>	<u>\$ 141</u>

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

	Year Ended December 31,	
	2020	2019
Expected dividend yield	—	—
Expected stock price volatility	72.9%	67.0%
Risk-free interest rate	0.8%	2.2%
Expected term (in years)	5.6	6.0
Weighted-average grant date fair-value	\$ 0.13	\$ 0.20

During the year ended December 31, 2020, no material modifications were made to outstanding stock options.

The aggregate intrinsic value of stock options outstanding at December 31, 2020 and 2019 was \$51,000 and \$9,000, respectively and for options exercisable was \$20,000 and \$6,000, respectively. The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date less the exercise price of the option. The total intrinsic value of options exercised during the year ended December 31, 2020 and 2019 was zero and \$21,000, respectively. During the years ended December 31, 2020 and 2019, there were zero and 70,445 options exercised, respectively. The Company's policy is to issue new shares upon exercise of options.

(d) Equity financing:

On July 11, 2019, the Company entered into a securities purchase agreement (the "Purchase Agreement") with Heavenly Rx Ltd. (the "Investor") pursuant to which the Company sold to the Investor in a private placement (the "Financing"): (a) 15,000,000 shares (the "Shares") of common stock and (b) a warrant to purchase up to an additional 15,000,000 shares of common stock (the "Warrant"). The aggregate purchase price for the Shares and the Warrant was \$9,000,000 in cash, which was paid to the Company at the closing of the purchase and sale on July 11, 2019, and is presented net of offering costs of \$183,000. The Company continues to use the proceeds for general working capital and other purposes, including sales and marketing, product development and capital expenditures for its legacy business and new business initiatives. The Warrant expired on July 11, 2020 in accordance with its terms.

The relative fair value of the net proceeds allocated to the common stock was estimated to be \$6,782,000. The relative fair value of the net proceeds allocated to the Warrant was estimated to be \$2,035,000 as determined based on the relative fair value allocation of the proceeds received. The Warrant was valued using the Black-Scholes option pricing model using the following variables: market price of common stock - \$0.517 per share; estimated volatility – 108.21%; 1-year risk free interest rate – 1.97%; expected dividend rate - 0% and expected life - 1 year.

(e) Services and Endorsement Agreement:

On July 27, 2020, the Board of Directors of the Company approved a Services and Endorsement Agreement (the "Services Agreement") with Tony Hawk, Inc. ("THI") pursuant to which Tony Hawk ("Hawk") shall provide certain marketing services on behalf of the Company. The Services Agreement has a term commencing as of June 1, 2020 and terminating as of January 31, 2021. Pursuant to the Services Agreement, the Company agreed to issue to THI that number of shares of the Company's Common Stock as is valued at an aggregate of \$25,000 as of the date of issuance, and to issue to The Skatepark Project ("TSP"), an affiliate of Hawk, that number of shares of Common Stock as is valued at an aggregate of \$25,000 as of the date of issuance. This issuance resulted in 138,888 shares to THI and 138,888 shares to TSP, for a total issuance of 277,776 shares.

8. Employee 401(k) Plan

We have a 401(k) plan whereby eligible employees who have completed at least one hour of service per month in three consecutive months of employment may enroll. Employees can elect to contribute up to 100% of their eligible compensation to the 401(k) plan subject to Internal Revenue Service's limitations. As currently established, we are not required to make and have not made any contributions to the 401(k) plan during the years ended December 31, 2020 and 2019.

9. Commitments and Contingencies

Commitments

As of December 31, 2020, we continue to have commitments to various suppliers of raw materials (primarily sugar and glass). Purchase obligations under these commitments are expected to total \$367,000 in 2021, with no current commitments thereafter.

Legal proceedings

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

10. Income Taxes

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

	<u>2020</u>	<u>2019</u>
Current		
State	\$ 6	\$ 5
Foreign	21	24
Provision for income taxes	<u>\$ 27</u>	<u>\$ 29</u>

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

	<u>2020</u>	<u>2019</u>
United States	\$ (3,054)	\$ (2,833)
Foreign	84	84
Total	<u>\$ (2,970)</u>	<u>\$ (2,749)</u>

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

	<u>2020</u>	<u>2019</u>
Federal statutory rate	21.00%	21.00%
Effect of:		
Permanent differences	(0.07)	(1.11)
Stock Compensation	(3.61)	(1.26)
State income taxes, net of federal benefit	2.26	2.52
Change in valuation allowance	(17.85)	(23.21)
Other, net	(2.64)	1.06
Provision for income taxes	<u>(0.91)%</u>	<u>(1.00)%</u>

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

	<u>2020</u>	<u>2019</u>
Federal and state net operating loss carryforwards	\$ 14,721	\$ 14,104
Stock-based compensation	179	272
Other, net	93	87
Total deferred tax asset	<u>14,993</u>	<u>14,463</u>
Valuation allowance	<u>(14,993)</u>	<u>(14,463)</u>
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

We continue to experience significant losses in our U.S. operations that are material to our decision to maintain a full valuation allowance against our net U.S. deferred tax assets. This is due to the fact that the relevant accounting guidance puts more weight on the negative objective evidence of cumulative losses in recent years than the positive subjective evidence of future projections of pretax income. For the years ended December 31, 2020 and December 31, 2019, the valuation allowance increased by \$530,000 and \$592,000, respectively.

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

At December 31, 2020, we had net operating loss carryforwards for income tax purposes in the United States of \$57.5 million which expire at various times commencing 2021. We also had net operating loss carryforwards for income tax purposes in the United States of \$7.6 million that may be carried forward indefinitely. Net operating loss carryforwards may be subject to certain limitations under Section 382 of the Internal Revenue code.

There are no uncertain tax positions to recognize as of December 31, 2020 and 2019.

The tax years that remain open to examination by the taxing authorities are 2016-2020, generally. The net operating losses for prior years are subject to adjustment under examination to the extent they remain unutilized in an open year.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. There was no financial statement impact related to the CARES Act for the year ended December 31, 2020.

11. Segment Information

We have one operating segment with operations primarily in the United States and Canada. Sales are assigned to geographic locations based on the location of customers. Geographic information for the years ended December 31 is as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue:		
United States	\$ 8,442	\$ 8,680
Canada	3,329	2,768
Other countries	124	60
Total revenue	<u>\$ 11,895</u>	<u>\$ 11,508</u>
Fixed assets:		
United States	\$ 305	\$ 162
Canada	—	—
Total fixed assets	<u>\$ 305</u>	<u>\$ 162</u>

During the year ended December 31, 2020, one of our customers represented approximately 24% of our revenues and during the year ended December 31, 2019 three of our customers represented approximately 43% of revenues.

12. Paycheck Protection Program

On April 24, 2020, we received loan proceeds of \$334,500 (the "PPP Loan") under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act, provided for loans to qualifying companies in amounts up to 2.5 times their average monthly payroll expenses. Our PPP Loan was evidenced by a promissory note, dated as of April 24, 2020 (the "Note"), between us and HomeStreet Bank (the "Lender"). The Note had a two-year term and accrued interest at the rate of 1.0% per annum. No payments of principal or interest were due during the 10-month period beginning on the date of the Note (the "Deferral Period"). Furthermore, we received an extension of the first principal and interest payment date to 10 months after the last day of the Deferral Period.

Under the terms of the CARES Act, the principal and accrued interest under the Note was forgivable after 24 weeks if we use the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise comply with PPP requirements. We were given full forgiveness subsequent to December 31, 2020. See Note 13.

In addition to the PPP Loan previously discussed, the CARES Act, among other things, includes provisions related to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. We continue to examine the impacts and benefits that the CARES Act may have on our business.

13. Subsequent Events

Under the terms of the CARES Act, the principal and accrued interest under the Note was forgivable after 24 weeks if we used the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complied with PPP requirements. In May 2021, we received full forgiveness of our PPP Loan and recorded the gain on debt forgiveness in the amount of \$334,500 in earnings, which will be presented as “other income” on our condensed consolidated statements of operations for the 12 months ended on December 31, 2021.

Subsequent to December 31, 2020, Convertible Notes in the aggregate principal amount of \$1.4 million and related accrued interest were converted into an aggregate of 5,064,137 shares of common stock in accordance with the original terms of the Convertible Notes. As a result, the carrying amount of the converted principal amount of such Convertible Notes, along with the converted accrued interest, in an aggregate amount of \$801,000, was credited to common stock and unamortized discounts in an amount equal to \$36,000 were recognized as interest expense for the nine months ended September 30, 2021.

On July 14, 2021, we issued a \$2,000,000 unsecured convertible debenture to SOL Verano Blocker 1 LLC (the “Convertible Debenture”) that is convertible into units of the company (each a “Jones Unit”) at a conversion price of \$0.50 per Jones Unit (the “Conversion Price”), with each Jones Unit consisting of one share of our common stock (each a “Jones Share”) and one share purchase special warrant of Jones (each a “Jones Special Warrant”). Each Jones Special Warrant will be exercisable into one Jones Share at a price of \$0.625 per Jones Share for a period of 24 months from the date of issuance, conditional upon us increasing our authorized capital to an amount to cover the Jones Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Shares issuable pursuant to our then-outstanding convertible/exercisable securities. Pursuant to the terms of the Convertible Debenture, upon satisfaction or waiver of the conditions precedent to the closing of the Arrangement (defined below), the entire principal amount on the Convertible Debenture and all accrued interest thereon shall automatically convert into Jones Units at the Conversion Price.

The Convertible Debenture matures on the earlier of July 14, 2023 or 60 days after either any agreement between Pinestar Gold Inc. (“Pinestar”) and us respecting the planned statutory plan of arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”) is terminated or the debentureholder receives notice from either Pinestar or us that the Plan of Arrangement is unlikely to occur within seven months of the date of the Convertible Debenture (the “Maturity Date”), and accrues interest a rate of 5.00% (which will increase to 18% if an Event of Default (as defined in the Convertible Debenture) occurs or in the event that the Plan of Arrangement does not occur within seven months of the date of Convertible Debenture) that is payable on the last day of December in each year commencing on December 31, 2021, as well as the Maturity Date, and the date on which all or any portion of the Convertible Debenture is converted or repaid.

The terms of the Convertible Debenture restrict, amongst other things, the amount of additional debt we can incur, as well as the number of Jones Shares we can issue, without the consent of the debentureholder. The terms of the Convertible Debenture also provide that we shall use the principal amount of the Convertible Debenture exclusively for the costs and expenses associated with pursuing and completing the Plan of Arrangement, and for the purpose of expanding our business to the production of cannabis-containing beverages and related products.

SCHEDULE E
JONES SODA INTERIM FINANCIAL STATEMENTS

[See Attached]

JONES SODA CO. INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2021

EXPLANATORY NOTE

Unless otherwise indicated or the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Report”) to “we,” “us,” “our,” “Jones,” “Jones Soda,” and the “Company” are to Jones Soda Co., a Washington corporation, and our wholly-owned subsidiaries, Jones Soda Co. (USA) Inc. and Jones Soda (Canada) Inc.

In addition, unless otherwise indicated or the context otherwise requires, all references in this Report to “Jones Soda” refer to our premium beverages, including Jones® Soda and Lemoncocco® sold under the trademarked brand name “Jones Soda Co.®”

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. This Report contains a number of forward-looking statements that reflect management’s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this Report other than statements of historical fact, including statements that address operating performance, the economy, events or developments that management expects or anticipates will or may occur in the future, including statements related to case sales, revenues, profitability, distributor channels, new products, adequacy of funds from operations, cash flows and financing, our ability to continue as a going concern, potential strategic transactions, statements regarding future operating results and non-historical information, are forward-looking statements. In particular, the words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” “can,” “plan,” “predict,” “could,” “future,” “continue,” variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements and their absence does not mean that the statement is not forward-looking.

Readers should not place undue reliance on these forward-looking statements, which are based on management’s current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions and apply only as of the date of this Report. Our actual results, performance or achievements could differ materially from historical results as well as from the results expressed in, anticipated or implied by these forward-looking statements. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In particular, our business, including our financial condition and results of operations and our ability to continue as a going concern may be impacted by a number of factors, including, but not limited to, the following:

- Our ability to successfully execute on our growth strategy and operating plans;
- Our ability to continue to effectively utilize the proceeds from our recent financings;
- Our ability to consummate the transactions contemplated by the Arrangement Agreement (as defined below) and to recognize the anticipated benefits of such transactions;
- Our ability to execute our plans to develop and market THC/CBD-infused and/or cannabis-infused beverages and edibles, and comply with the laws and regulations governing cannabis, hemp or related products, and the timing and costs of the development of this new product line;
- Our ability to manage our operating expenses and generate cash flow from operations, along with our ability to secure additional financing if our sales goals take longer to achieve than anticipated;
- Our ability to create and maintain brand name recognition and acceptance of our products, which is critical to our success in our competitive, brand-conscious industry;
- Our ability to effectively adjust and execute our marketing strategies in light of the various closures and event delays caused by the COVID-19 pandemic and the potential adverse impact on demand for our products caused by the COVID-19 pandemic;
- Our ability to compete successfully against much larger, well-funded, established companies currently operating in the beverage industry generally, including in the fountain business, particularly from other major beverage companies;

- Entrance into and increased focus on the craft beverage segment by other major beverage companies;
- Our ability to respond to changes in the consumer beverage marketplace, including potential reduced consumer demand due to health concerns (including obesity) and legislative initiatives against sweetened beverages (including the imposition of taxes);
- Our ability to successfully develop and launch new products that match consumer beverage trends, and to manage consumer response to such new products and new initiatives;
- Our ability to maintain brand image and product quality and avoid risks from product issues such as product recalls;
- Our ability to establish, maintain and expand distribution arrangements with independent distributors, retailers, brokers and national retail accounts, most of whom sell and distribute competing products, and upon whom we rely to employ sufficient efforts in managing and selling our products, including re-stocking the retail shelves with our products;
- Our ability to manage our inventory levels and to predict the timing and amount of our sales;
- Our reliance on third-party contract manufacturers of our products and the geographic locations of their facilities, which could make management of our distribution efforts inefficient or unprofitable;
- Our ability to secure a continuous supply and availability of raw materials, as well as other factors that may adversely affect our supply chain, including increases in raw material costs, potential shortages of glass in the supply chain and the impact of the COVID-19 pandemic;
- Our ability to source our flavors on acceptable terms from our key flavor suppliers;
- Our ability to attract and retain key personnel, the loss of whom would directly affect our efficiency and operations and could materially impair our ability to execute our growth strategy;
- Our ability to protect our trademarks and trade secrets, the failure of which may prevent us from successfully marketing our products and competing effectively;
- Litigation or legal proceedings, which could expose us to significant liabilities and damage our reputation;
- Our ability to comply with the many regulations to which our business is subject;
- Our ability to maintain an effective information technology infrastructure;
- Fluctuations in fuel and freight costs;
- Fluctuations in currency exchange rates, particularly between the United States and Canadian dollars;
- Regional, national or global economic, political, social and other conditions that may adversely impact our business and results of operations, including the COVID-19 pandemic;
- Our ability to maintain effective disclosure controls and procedures and internal control over financial reporting;
- Dilutive and other adverse effects on our existing shareholders and our stock price arising from future securities issuances; and
- Our ability to access the capital markets for any future equity financing, and any actual or perceived limitations to our common stock by being traded on the OTCQB Marketplace, including the level of trading activity, volatility or market liquidity.

For a discussion of some of the factors that may affect our business, results and prospects, see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (“SEC”) on March 24, 2021 and in our other reports we file with the SEC, including our periodic reports on Form 10-Q and current reports on Form 8-K. Readers are also urged to carefully review and consider the various disclosures made by us in this Report and in our other reports we file with the SEC, including our periodic reports on Forms 10-Q and current reports on Form 8-K, and those

described from time to time in our press releases and other communications, which attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

JONES SODA CO.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
ASSETS		
(In thousands, except share data)		
Current assets:		
Cash and cash equivalents	\$ 5,922	\$ 4,614
Accounts receivable, net of allowance of \$99 and \$93	2,686	1,581
Inventory	1,483	1,856
Prepaid expenses and other current assets	275	193
Total current assets	10,366	8,244
Fixed assets, net of accumulated depreciation of \$605 and \$554	261	305
Other assets	33	33
Right of use lease asset	392	471
Total assets	\$ 11,052	\$ 9,053
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,571	\$ 1,385
Lease liability, current portion	107	102
Accrued expenses	1,295	853
Taxes payable	12	6
Current portion of convertible subordinated notes payable, net	90	-
Current portion of accrued interest expense	7	-
Current portion of SBA Loan	-	140
Total current liabilities	3,082	2,486
Net convertible subordinated notes payable, net of current portion	1,741	1,386
Accrued interest expense, net of current portion	21	232
SBA loan, net of current portion	-	195
Lease liability, net of current portion	294	375
Total liabilities	5,138	4,674
Shareholders' equity:		
Common stock, no par value:		
Authorized — 100,000,000; issued and outstanding shares — 67,837,191 shares and 61,975,748 shares, respectively	75,979	73,953
Accumulated other comprehensive income	389	411
Accumulated deficit	(70,454)	(69,985)
Total shareholders' equity	5,914	4,379
Total liabilities and shareholders' equity	\$ 11,052	\$ 9,053

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(In thousands, except share data)		(In thousands, except share data)	
Revenue	\$ 4,565	\$ 3,541	\$ 11,880	\$ 9,431
Cost of goods sold	3,102	2,619	8,255	7,341
Gross profit	<u>1,463</u>	<u>922</u>	<u>3,625</u>	<u>2,090</u>
Operating expenses:				
Selling and marketing	733	642	2,104	1,924
General and administrative	716	674	2,147	2,136
Total operating expenses	<u>1,449</u>	<u>1,316</u>	<u>4,251</u>	<u>4,060</u>
Income (loss) from operations	14	(394)	(626)	(1,970)
Interest income	1	2	3	23
Interest expense	(76)	(40)	(160)	(116)
Other income (expense), net	10	(11)	338	3
Loss before income taxes	<u>(51)</u>	<u>(443)</u>	<u>(445)</u>	<u>(2,060)</u>
Income tax expense, net	(8)	(7)	(24)	(19)
Net loss	<u>\$ (59)</u>	<u>\$ (450)</u>	<u>\$ (469)</u>	<u>\$ (2,079)</u>
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average basic and diluted common shares outstanding	64,550,554	61,857,555	64,768,258	61,730,684

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(In thousands)		(In thousands)	
Net loss	\$ (59)	\$ (450)	\$ (469)	\$ (2,079)
Other comprehensive income (loss):				
Foreign currency translation adjustment	<u>(65)</u>	<u>25</u>	<u>(22)</u>	<u>(14)</u>
Total comprehensive loss	<u>\$ (124)</u>	<u>\$ (425)</u>	<u>\$ (491)</u>	<u>\$ (2,093)</u>

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	<u>Common Stock</u>		<u>Accumulated Other Comprehensive Income</u>		<u>Accumulated Deficit</u>		<u>Total Shareholders' Equity</u>	
	<u>Number</u>	<u>Amount</u>						
	(In thousands, except share data)							
Three months ended September 30, 2020								
Balance as of June 30, 2020	61,667,668	\$ 73,846	\$ 303	\$ (68,617)	\$	5,532		
Share based payment activity	308,080	57	-	-	-	57		
Beneficial conversion feature on paid-in-kind interest	-	3	-	-	-	3		
Net loss	-	-	-	(450)	-	(450)		
Other comprehensive income	-	-	25	-	-	25		
Balance as of September 30, 2020	<u>61,975,748</u>	<u>\$ 73,906</u>	<u>\$ 328</u>	<u>\$ (69,067)</u>	<u>\$</u>	<u>5,167</u>		
Three months ended September 30, 2021								
Balance as of June 30, 2021	64,977,677	\$ 75,015	\$ 454	\$ (70,395)	\$	5,074		
Share based payment activity	-	26	-	-	-	26		
Common stock issuance on conversion of notes payable	2,216,479	709	-	-	-	709		
Exercise of stock options	643,035	229	-	-	-	229		
Net loss	-	-	-	(59)	-	(59)		
Other comprehensive loss	-	-	(65)	-	-	(65)		
Balance as of September 30, 2021	<u>67,837,191</u>	<u>\$ 75,979</u>	<u>\$ 389</u>	<u>\$ (70,454)</u>	<u>\$</u>	<u>5,914</u>		
Nine months ended September 30, 2020								
Balance as of December 31, 2019	61,566,076	\$ 73,773	\$ 342	\$ (66,988)	\$	7,127		
Share based payment activity	409,672	124	-	-	-	124		
Beneficial conversion feature on paid-in-kind interest	-	9	-	-	-	9		
Net loss	-	-	-	(2,079)	-	(2,079)		
Other comprehensive loss	-	-	(14)	-	-	(14)		
Balance as of September 30, 2020	<u>61,975,748</u>	<u>\$ 73,906</u>	<u>\$ 328</u>	<u>\$ (69,067)</u>	<u>\$</u>	<u>5,167</u>		
Nine months Ended September 30, 2021								
Balance as of December 31, 2020	61,975,748	\$ 73,953	\$ 411	\$ (69,985)	\$	4,379		
Share based payment activity	-	107	-	-	-	107		
Common stock issuance on conversion of notes payable	5,064,137	1,620	-	-	-	1,620		
Exercise of stock options	797,306	296	-	-	-	296		
Beneficial conversion feature on paid-in-kind interest	-	3	-	-	-	3		
Net loss	-	-	-	(469)	-	(469)		
Other comprehensive loss	-	-	(22)	-	-	(22)		
Balance as of September 30, 2021	<u>67,837,191</u>	<u>\$ 75,979</u>	<u>\$ 389</u>	<u>\$ (70,454)</u>	<u>\$</u>	<u>5,914</u>		

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2021	2020
	(In thousands)	
OPERATING ACTIVITIES:		
Net loss	\$ (469)	\$ (2,079)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	142	93
Stock-based compensation	107	130
Change in allowance for doubtful accounts	6	40
Forgiveness of PPP SBA loan	(335)	-
Loss on sale of fixed asset	5	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,142)	(880)
Inventory	374	177
Prepaid expenses and other current assets	(80)	73
Accounts payable	186	366
Accrued expenses	495	223
Taxes payable	6	(3)
Other liabilities	3	3
Net cash used in operating activities	(702)	(1,857)
INVESTING ACTIVITIES:		
Sale of fixed assets	4	-
Purchase of fixed assets	(35)	(184)
Net cash used in investing activities	(31)	(184)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	295	-
Proceeds from issuance of convertible notes, net	1,741	-
Proceeds from PPP SBA loan	-	335
Payment of taxes on RSU withholding	-	(6)
Net cash provided by financing activities	2,036	329
Net change in cash and cash equivalents	1,303	(1,712)
Effect of exchange rate changes on cash	5	(6)
Cash and cash equivalents, beginning of period	4,614	5,969
Cash and cash equivalents, end of period	\$ 5,922	\$ 4,251
Supplemental disclosure:		
Cash paid during period for:		
Income taxes	\$ 16	\$ 17
Supplemental disclosure of non-cash transactions:		
Conversion of notes payable	\$ 1,621	\$ -
Recognition of lease liability and right-of-use asset	-	556
Beneficial conversion feature on convertible notes and accrued interest	4	9

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Jones Soda Co. develops, produces, markets and distributes premium beverages which it sells and distributes primarily in the United States and Canada through its network of independent distributors and directly to its national and regional retail accounts.

We are a Washington corporation and have two wholly-owned operating subsidiaries, Jones Soda Co. (USA) Inc. and Jones Soda (Canada) Inc. (Subsidiaries).

Basis of presentation, consolidation and use of estimates

The accompanying condensed consolidated balance sheet as of December 31, 2020, which has been derived from our audited consolidated financial statements, and unaudited interim condensed consolidated financial statements as of September 30, 2021, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the Securities and Exchange Commission (“SEC”) rules and regulations applicable to interim financial reporting. The condensed consolidated financial statements include our accounts and the accounts of our subsidiaries. All intercompany transactions between us and our subsidiaries have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments, consisting only of those of a normal and recurring nature, considered necessary for a fair presentation of our financial position, results of operations and cash flows at the dates and for the periods presented. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Significant items subject to such estimates and assumptions include, but are not limited to, inventory valuation, depreciable lives and valuation of capital assets, valuation allowances for receivables, trade promotion liabilities, stock-based compensation expense, valuation allowance for deferred income tax assets, contingencies, and forecasts supporting the going concern assumption and related disclosures. Actual results could differ from those estimates. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Liquidity

As of September 30, 2021, we had cash and cash-equivalents of approximately \$5.9 million and working capital of approximately \$7.3 million. Net cash used in operations during the nine months ended September 30, 2021 and 2020 totaled approximately \$702,000 and \$1.9 million, respectively.

We have experienced recurring losses from operations and negative cash flows from operating activities. This situation creates uncertainties about our ability to execute our business plan, finance operations, and indicates substantial doubt about the Company’s ability to continue as a going concern. On July 14, 2021, we received net proceeds of \$1.7 million in connection with the issuance of an unsecured convertible debenture to SOL Verano Blocker 1 LLC (the “Convertible Debenture”).

We believe that the recent financing helps alleviate the conditions which initially indicated substantial doubt about our ability to continue as a going concern. However, we have experienced and continue to experience negative cash flows from operations, as well as an ongoing requirement for additional capital to support working capital needs. Therefore, even with these proceeds, we may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of financing to fund those needs will depend on a number of factors, including the receipt of any proceeds from the planned Concurrent Offering (defined below) as well as from any other financing we complete in connection with the Arrangement (defined below), our strategic initiatives and operating plans, our ability to execute our plans to develop and market cannabis-infused beverages and edibles and the timing and costs of the development of this new product line, our estimates of the size of the markets for our potential cannabis products, the performance of our business and the market conditions for available debt or equity financing. Additionally, the amount of capital required will depend on our ability to meet our sales goals and otherwise successfully execute our operating plan. We believe it is imperative that we meet these sales objectives in order to lessen our reliance on external financing in the future. We intend to continually monitor and adjust our operating plan as necessary to respond to developments in our business, our markets and the broader economy. In addition, the continuation of the COVID-19 pandemic and uncertain market conditions may limit our ability to access capital, may reduce demand for certain products, and may negatively impact our supply chain.

Although we believe various debt and equity financing alternatives will be available to us to support our working capital needs, financing arrangements on acceptable terms may not be available to us when needed. In addition, the terms of the Convertible Debenture restrict, among other things, the amount of additional debt the Company can incur, as well as the number of shares of common stock the Company may issue, without the consent of the debentureholder. Moreover, any debt or equity financing alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders. Any such financing alternatives may not provide us with sufficient funds to meet our long-term capital requirements. If necessary, we may explore strategic transactions, in addition to the Arrangement, Concurrent Financing and any related financings that we consider to be in the best interest of our company and our shareholders, which may include, without limitation, public or private offerings of debt or equity securities, a rights offering, and other strategic alternatives; however, these options may not ultimately be available or feasible when needed.

As of the date of this Report, as a result of our cash on hand as well as the issuance of the Convertible Debenture, we believe that our current cash and cash equivalents will be sufficient to meet the Company's funding requirements for one year after these consolidated financial statements are issued.

Seasonality and other fluctuations

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

Revenue recognition

Our contracts have a single performance obligation which is satisfied at the point in time when the customer has title and the significant risks and rewards of ownership of the product. Effective March 1, 2021, title and the significant risk and rewards of ownership are deemed to transfer when products are loaded onto a truck for shipment or Free on Board ("FOB") shipping point. Prior to March 1, 2021, shipping terms varied from customer to customer. We primarily receive fixed consideration for sales of product, subject to adjustment as described below. Shipping and handling amounts paid by customers are primarily for online orders, and are included in revenue, and totaled \$36,000 and \$18,000 for the three months ended September 30, 2021 and 2020, respectively, and \$91,000 and \$54,000 for the nine months ended September 30, 2021 and 2020, respectively. Sales tax and other similar taxes are excluded from revenue.

See Note 1, on our most recently filed Form 10-K filed on March 24, 2021 for our revenue recognition policy.

Revenue is recorded net of provisions for discounts, slotting fees payable by us to retailers to stock our products and promotion allowances. Discounts, slotting fees and promotional allowances vary the consideration we are entitled to in exchange for the sale of products to distributors. We estimate these discounts, slotting fees and promotional allowances in the same period that the revenue is recognized for product sales to customers. These estimates are based on contract terms and our historical experience with similar programs and require management judgement with respect to estimating customer participation and performance levels. Differences between estimated expense and actual costs are normally insignificant and are recognized in earnings in the period such differences are determined. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. The liability for promotional allowances is included in accrued expenses on the consolidated balance sheets. Amounts paid for slotting fees are recorded as prepaid expenses on the consolidated balance sheets and amortized over the corresponding term. For the quarters ended September 30, 2021 and 2020, our revenue was reduced by \$377,000 and \$526,000, respectively, and for the nine months ended September 30, 2021 and 2020, each by \$1.2 million, in each case for slotting fees and promotion allowances.

All sales to distributors and customers are generally final. In limited instances we may accept returned product due to quality issues or distributor terminations, and in such situations we would have variable consideration. To date, returns have not been material. Our customers generally pay within 30 days from the receipt of a valid invoice. We offer prompt pay discounts of up to 2% to certain customers typically for payments made within 15 days. Prompt pay discounts are estimated in the period of sale based on experience with sales to eligible customers. Early pay discounts are recorded as a deduction to the accounts receivable balance presented on the condensed consolidated balance sheets.

The accounts receivable balance primarily includes balances from trades sales to distributors and retail customers. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in existing accounts receivable. We determine the allowance for doubtful accounts based primarily on historical write-off experience. Account balances that are deemed uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Allowances for doubtful accounts of \$99,000 and \$93,000 as of September 30, 2021 and December

31, 2020, respectively, were netted against accounts receivable. No impairment losses were recognized as of September 30, 2021 and December 31, 2020. Changes in accounts receivable are primarily due to the timing and magnitude of orders for products, the timing of when control of products is transferred to distributors and the timing of cash collections.

As of September 30, 2021, A. Lassonde Inc. (“Lassonde”), one of our independent distributors, made up 19% of our outstanding accounts receivable. As of December 31, 2020, Lassonde made up 18% of our outstanding accounts receivable.

Net loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed by adjusting the weighted average number of common shares by the effective net exercise or conversion of all dilutive securities. Due to the net loss in the quarters ended September 30, 2021 and 2020, outstanding stock options amounting to 3,199,573 and 3,355,689 shares, shares issuable upon the conversion of the Convertible Notes (as defined in note 4) of 416,341 and 5,302,778, shares issuable upon the conversion of the Convertible Debenture (as defined in note 8) of 4,000,000 and 0, in each case at September 30, 2021 and 2020, respectively, were anti-dilutive.

Recent accounting pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06, “Debt-Debt with Conversion and other options” (“ASU 2020-06”), which simplifies the accounting for convertible debt instruments and convertible preferred stock. This ASU is effective for public companies for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact ASU 2020-06 could have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments: Credit Losses (“ASU 2016-13”), which changes the impairment model for most financial instruments, including trade receivables from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU is effective for us in the first quarter of 2023 and must be adopted using a modified retrospective transition approach. We are currently evaluating the potential impact that the adoption of ASU 2016-13 will have on our consolidated financial statements.

2. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Finished goods	\$ 855	\$ 1,142
Raw materials	628	714
	<u>\$ 1,483</u>	<u>\$ 1,856</u>

Finished goods primarily include product ready for shipment, as well as promotional merchandise held for sale. Raw materials primarily include ingredients, concentrate and packaging. For the three months ended September 30, 2021 and 2020, we recorded obsolete inventory expenses of \$9,000 and \$1,000, respectively. For the nine months ended September 30, 2021 and 2020, we recorded obsolete inventory expenses of \$25,000 and \$72,000, respectively.

3. Lease Obligations

We currently lease approximately 6,500 square feet of retail/office space in Seattle, Washington for our principal executive and administrative offices. The initial term of the lease was five years; in February 2020, we amended the lease to extend the term through February 28, 2025. As a result of the lease amendment, we recognized a lease liability and right-of-use asset of \$556,000 which represents the remaining lease payments discounted at a rate of 4%. As of September 30, 2021, this lease had a remaining lease term of 3.42 years.

During the quarters ended September 30, 2021 and 2020, we incurred rental expenses of \$42,000 in each respective period, and during the nine months ended September 30, 2021 and 2020, we incurred rental expenses of \$122,000 and \$120,000, respectively. During the quarters ended September 30, 2021 and 2020, we made cash payments of \$41,000 and \$40,000, respectively and during the nine months ended September 30, 2021 and 2020, we made cash payments of \$119,000 and \$117,000, respectively.

Management fees and other operational expenses were immaterial. Cash payments on our operating lease are presented as operating cash outflows in the condensed consolidated statements of cash flows. As of September 30, 2021, our scheduled lease payments excluding management fees and other operational expenses for the remainder of the lease term for the years ending December 31 will be as follows (in thousands):

2021 (remaining)	\$	30
2022		122
2023		126
2024		130
2025		22
Total lease payments		<u>430</u>
Less: imputed interest		(29)
Total remaining lease liability	\$	<u><u>401</u></u>

4. Convertible Subordinated Notes Payable

On March 23, 2018, and April 18, 2018, we issued and sold an aggregate principal amount of \$2,920,000 of convertible subordinated promissory notes (the “Convertible Notes”) to institutional investors, our management team, and other individual investors.

The Convertible Notes have a four-year term from the date of issuance and bear interest at 6% per annum until maturity on March 23, 2022 and April 18, 2022, as applicable. The holders can convert the Convertible Notes at any time into the number of shares of our common stock equal to the quotient obtained by dividing (i) the amount of the unpaid principal and interest on such Convertible Note by (ii) \$0.32 (the “Conversion Price”). The Conversion Price is subject to anti-dilution adjustment on a broad-based, weighted average basis if we issue shares or equity-linked instruments at a conversion price below \$0.32 per share. No payments of principal or interest are due until the maturity.

The Convertible Notes are subordinated in right of payment to the prior payment in full of all of our senior indebtedness, which is defined as amounts due in connection with our indebtedness for borrowed money to banks, commercial finance lenders, or other lending institutions regularly engaged in the business of lending money, with certain restrictions.

During the quarter ended September 30, 2021, Convertible Notes in the aggregate principal amount of \$590,000 and related accrued interest were converted into an aggregate of 2,216,479 shares of common stock in accordance with the original terms of the Convertible Notes. As a result, the carrying amount of the converted principal amount of such Convertible Notes, along with the converted accrued interest, in an aggregate amount of \$372,729, was credited to common stock and unamortized discounts in an amount equal to \$11,000 were recognized as interest expense for the three months ended September 30, 2021. During the period from January 1, 2021 through September 30, 2021, Convertible Notes in the aggregate principal amount of \$1.4 million and related accrued interest were converted into an aggregate of 5,064,137 shares of common stock in accordance with the original terms of the Convertible Notes. As a result, the carrying amount of the converted principal amount of such Convertible Notes, along with the converted accrued interest, in an aggregate amount of \$801,000, was credited to common stock and unamortized discounts in an amount equal to \$36,000 were recognized as interest expense for the nine months ended September 30, 2021. There were no Convertible Notes converted during the three or nine months ended September 30, 2020.

The fair value of our common stock on March 23, 2018, the initial closing date for the issuance of the Convertible Notes, was \$0.36 per share; therefore, the Convertible Notes contained a beneficial conversion feature with an aggregate intrinsic value of \$350,000. The fair value of our common stock on April 18, 2018, the second closing date for the issuance of the Convertible Notes, was \$0.30 per share, which did not result in an additional beneficial conversion feature. The resulting debt discount for the Convertible Notes issued on March 23, 2018 is presented as a direct deduction from the carrying value of the Convertible Notes and was recorded with an increase to additional paid-in capital. This discount, along with the related closing costs amounting to \$137,000, are amortized through interest expense over the term of the Convertible Notes. The balance of notes payable is presented net of unamortized discounts amounting to \$1,000 and \$88,000 at September 30, 2021 and December 31, 2020, respectively. The principal balance of notes payable to related parties amounted to \$10,000 at September 30, 2021 and December 31, 2020.

Principal payment obligations on the Convertible Notes are as follows for the following years ending December 31 (in thousands):

2021 (remaining)	\$	-
2022		110
	\$	<u><u>110</u></u>

5. Shareholders' Equity

Under the terms of our 2011 Incentive Plan (the "Plan"), the number of shares authorized under the Plan may be increased each January 1st by an amount equal to the lesser of (a) 1,300,000 shares, (b) 4.0% of our outstanding common stock as of the end of our immediately preceding fiscal year, and (c) a lesser amount determined by the Board of Directors (the "Board"), provided that the number of shares that may be granted pursuant to awards in a single year may not exceed 10% of our outstanding shares of common stock on a fully diluted basis as of the end of the immediately preceding fiscal year. As of September 30, 2021, the total number of shares of common stock authorized under the Plan was 12,084,032 shares.

Under the terms of the Plan, the Board may grant awards to employees, officers, directors, consultants, agents, advisors and independent contractors. Awards may consist of stock options, stock appreciation rights, stock awards, restricted stock, stock units, performance awards or other stock or cash-based awards. Stock options are granted with an exercise price equal to the closing price of our stock on the date of grant, and generally have a ten-year term and vest over a period of 48 months with the first 25% of the shares subject to the option vesting one year from the grant date and the remaining 75% of the shares subject to the option vesting in equal monthly increments over the subsequent 36 months. Restricted stock awards generally vest over one year. As of September 30, 2021, there were 4,785,597 shares of unissued common stock authorized and available for future awards under the Plan.

In March 2021, the Board approved the readoption of the Plan to extend the expiration date thereof from April 1, 2021 to April 1, 2023 and obtained shareholder approval of such readoption at the annual meeting of shareholders held on May 13, 2021.

On September 30, 2021, our board of directors, upon the recommendation of our compensation committee, approved an amendment to the Plan to decrease the number of shares of common stock available for issuance pursuant to future awards under the Plan from 4,785,597 shares of common stock to 2,500,000 shares of common stock. As of such date, there were outstanding awards exercisable into an aggregate of 3,194,573 shares of common stock previously granted under the Plan; after such amendment, there is an aggregate of 5,694,573 shares of common stock reserved for issuance under the Plan. In addition, the Board approved an amendment to the outstanding awards previously granted under the Plan to provide that upon the closing of the Arrangement (as defined below), the vesting of such awards shall be accelerated, and such awards shall thereafter become immediately vested in full and the restrictions thereon shall lapse. If the Arrangement is not consummated, there shall be no accelerated vesting and the awards shall continue to vest in accordance with their original terms.

(a) Stock options:

A summary of our stock option activity is as follows:

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price (Per Share)
Balance at January 1, 2021	3,589,783	\$ 0.36
Options granted	1,003,450	0.36
Options exercised	(797,306)	0.37
Options forfeited/expired	(596,354)	0.49
Balance at September 30, 2021	3,199,573	\$ 0.33
Exercisable, September 30, 2021	1,685,462	\$ 0.37
Vested and expected to vest	2,748,575	\$ 0.34

(b) Restricted stock awards:

Prior to December 31, 2019, equity compensation for non-employee director service consisted of an annual restricted stock unit award that vested over one year, with the number of shares underlying such award being determined by dividing \$15,000 by the closing stock price on the date of grant (which was the first business day in January in each calendar year); when joining the Board each non-employee director received an initial restricted stock unit award that vested over one year, the number of shares underlying such award being determined by dividing \$15,000 by our closing stock price on the date of grant (which was the first trading day following the date on which such director was appointed), prorated based on the date on which such director was appointed.

There was no restricted stock activity during the three and nine months ended September 30, 2021 and no unvested restricted stock awards at September 30, 2021. During the nine months ended September 30, 2020, 149,824 restricted stock awards vested, less 17,928 shares withheld as payment for taxes due in connection with the vesting of restricted stock awards.

Commencing as of January 1, 2020, equity compensation for non-employee director service consists of the grant of an annual non-qualified stock option award that vests on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award determined by dividing \$25,000 by the closing stock price on the date of grant (which shall be the first trading day in January in each calendar year), and such stock option award shall have an exercise price equal to our closing stock price on the date of grant. When joining our board of directors, each non-employee director shall be granted a non-qualified stock option award that vests on the first anniversary of the date of grant (subject to the director's continuing service as of such anniversary date), with the number of shares underlying such award determined by dividing \$25,000 by our closing stock price on the first trading day following the date on which such director is appointed), prorated based on the date on which such director is appointed, and which stock option shall be granted as of the first trading day following the date on which such director was appointed, and shall have an exercise price equal to our closing stock price on the date of grant.

(c) Stock-based compensation expense:

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

At September 30, 2021, we had unrecognized compensation expense related to stock options of \$138,000 to be recognized over a weighted-average period of 2.8 years.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Type of awards:				
Stock options	\$ 26	\$ 55	\$ 107	\$ 118
Restricted stock	-	2	-	12
	<u>\$ 26</u>	<u>\$ 57</u>	<u>\$ 107</u>	<u>\$ 130</u>
Income statement account:				
Selling and marketing	\$ 5	\$ 36	\$ 30	\$ 52
General and administrative	21	21	77	78
	<u>\$ 26</u>	<u>\$ 57</u>	<u>\$ 107</u>	<u>\$ 130</u>

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

	Nine months ended September 30,	
	2021	2020
Expected dividend yield	—	—
Expected stock price volatility	73.9%	73.1%
Risk-free interest rate	0.7%	0.7%
Expected term (in years)	5.8	5.4
Weighted-average grant date fair-value	\$ 0.23	\$ 0.14

The aggregate intrinsic value of stock options outstanding at September 30, 2021 was approximately \$2.1 million and for options exercisable was \$1.0 million. The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date less the exercise price of the option. There were 797,306 options exercised with an aggregate intrinsic value of \$435,000 during the nine months ended September 30, 2021. There were no options exercised during the nine months ended September 30, 2020.

6. Segment Information

We have one operating segment with operations primarily in the United States and Canada. Sales are assigned to geographic locations based on the location of customers. Sales by geographic location are as follows (in thousands):

	Three months ended		Year Ended September 30,	
	September 30,		2021	2020
	2021	2020	2021	2020
Revenue:				
United States	\$ 3,496	\$ 2,354	\$ 8,978	\$ 6,783
Canada	1,033	1,134	2,808	2,577
Other countries	36	53	94	71
Total revenue	<u>\$ 4,565</u>	<u>\$ 3,541</u>	<u>\$ 11,880</u>	<u>\$ 9,431</u>

During the three months ended September 30, 2021 and 2020, one of our customers (Lassonde) represented an aggregate of approximately 20% and 29% of our revenue, respectively. During the nine months ended September 30, 2021 and 2020, one of our customers (Lassonde) represented an aggregate of approximately 21% and 25% of our revenue, respectively.

7. Paycheck Protection Program

On April 24, 2020, we received loan proceeds of \$334,500 (the “PPP Loan”) under the Paycheck Protection Program (“PPP”). The PPP, established as part of the CARES Act, provided for loans to qualifying companies in amounts up to 2.5 times their average monthly payroll expenses. Our PPP Loan was evidenced by a promissory note, dated as of April 24, 2020 (the “Note”), between us and HomeStreet Bank (the “Lender”). The Note had a two-year term and accrued interest at the rate of 1.0% per annum. No payments of principal or interest were due during the 10-month period beginning on the date of the Note (the “Deferral Period”). Furthermore, we received an extension of the first principal and interest payment date to 10 months after the last day of the Deferral Period.

Under the terms of the CARES Act, the principal and accrued interest under the Note was forgivable after 24 weeks if we used the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complied with PPP requirements. In May 2021, we received full forgiveness of our PPP Loan and recorded the gain on debt forgiveness in the amount of \$334,500 in earnings, which was presented as “other income” on our condensed consolidated statements of operations for the nine months ended of September 30, 2021.

8. 2021 Unsecured Convertible Debenture

On July 14, 2021, we issued a \$2,000,000 unsecured convertible debenture to SOL Verano Blocker 1 LLC (the “Convertible Debenture”) that is convertible into units of the company (each a “Jones Unit”) at a conversion price of \$0.50 per Jones Unit (the “Conversion Price”), with each Jones Unit consisting of one share of our common stock (each a “Jones Share”) and one share purchase special warrant of Jones (each a “Jones Special Warrant”). Each Jones Special Warrant will be exercisable into one Jones Share at a price of \$0.625 per Jones Share for a period of 24 months from the date of issuance, conditional upon us increasing our authorized capital to an amount to cover the Jones Shares issuable pursuant to all of the outstanding Jones Special Warrants as well as the other Jones Shares issuable pursuant to our then-outstanding convertible/exercisable securities. Pursuant to the terms of the Convertible Debenture, upon satisfaction or waiver of the conditions precedent to the closing of the Arrangement (defined below), the entire principal amount on the Convertible Debenture and all accrued interest thereon shall automatically convert into Jones Units at the Conversion Price.

The Convertible Debenture matures on the earlier of July 14, 2023 or 60 days after either any agreement between Pinestar Gold Inc. (“Pinestar”) and us respecting the planned statutory plan of arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”) is terminated or the debentureholder receives notice from either Pinestar or us that the Plan of Arrangement is unlikely to occur within seven months of the date of the Convertible Debenture (the “Maturity Date”), and accrues interest a rate of 5.00% (which will increase to 18% if an Event of Default (as defined in the Convertible Debenture) occurs or in the event that the Plan of Arrangement does not occur within seven months of the date of Convertible Debenture) that is payable on the last day of December in each year commencing on December 31, 2021, as well as the Maturity Date, and the date on which all or any portion of the Convertible Debenture is converted or repaid.

The terms of the Convertible Debenture restrict, amongst other things, the amount of additional debt we can incur, as well as the number of Jones Shares we can issue, without the consent of the debentureholder. The terms of the Convertible Debenture also provide that we shall use the principal amount of the Convertible Debenture exclusively for the costs and expenses associated with pursuing and completing the Plan of Arrangement, and for the purpose of expanding our business to the production of cannabis-containing beverages and related products.

**SCHEDULE F
JONES SODA ANNUAL MD&A AND INTERIM MD&A**

[See Attached]

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

The following discussion of our financial condition and results of operations contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those anticipated in these forward-looking statements. You should not place undue reliance on these forward-looking statements, which apply only as of March 24, 2021. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect new information, events or circumstances after March 24, 2021, or to reflect the occurrence of unanticipated events. You should read the following discussion and analysis in conjunction with our consolidated financial statements for the year ended December 31, 2020 and the accompanying notes thereto.

Overview

We develop, produce, market and distribute premium beverages that we sell and distribute primarily in North America through our network of independent distributors and directly to our national and regional retail accounts. We also sell products in select international markets. Our products are sold primarily in grocery stores, convenience and gas stores, on fountain in restaurants, "up and down the street" in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through our national accounts with several large retailers. We refer to our network of independent distributors as our direct store delivery ("DSD") channel, and we refer to our national and regional accounts who receive shipments directly from us as our direct to retail ("DTR") channel. We do not directly manufacture our products, but instead outsource the manufacturing process to third-party contract manufacturers. We also sell various products online, including soda with customized labels, wearables, candy and other items, and we license our trademarks for use on products sold by other manufacturers.

Our Focus: Sales Growth

Our focus is sales growth through execution of the following key initiatives:

- Expand the Jones Soda glass bottle business in existing and new sales channels;
- Expand our fountain program in the United States and Canada; and
- Increase distribution of Lemoncocco in the United States and Canada.

In addition, we intend to pursue the development of new extensions to Jones products, including the potential commercialization of cannabidiol (CBD)-infused beverages.

Results of Operations

Years Ended December 31, 2020 and 2019

Revenue

For the year ended December 31, 2020, revenue was approximately \$11.9 million, an increase of \$387,000, or 3.4%, from approximately \$11.5 million in revenue for the year ended December 31, 2019. This increase was primarily a result of increased DSD and DTR core bottled soda sales in the United States and Canada. For the year ended December 31, 2020, promotion allowances and slotting fees, which offset revenue, totaled approximately \$1.6 million, a decrease of approximately \$114,000, or 6.5%, from approximately \$1.7 million in 2019.

During 2020 and 2019, the percentage of our revenues generated in Canada was 28% and 24%, respectively.

Gross Profit

	Year Ended December 31,		
	2020	2019	% Change
	(Dollars In thousands)		
Gross Profit	\$2,679	\$2,383	12.4 %
% of Revenue	22.5	% 20.7	%

For the year ended December 31, 2020, gross profit increased by \$296,000, or 12.4%, to approximately \$2.7 million compared to approximately \$2.4 million for the year ended December 31, 2019, driven primarily by higher revenue during the year ended December 31, 2020 as compared to the year ended December 31, 2019 and more effective management over promotional allowance and slotting fees. For the year ended December 31, 2020, gross margin increased to 22.5% from 20.7% for the year ended December 31, 2019, due primarily to the decrease in trade spend and promotional allowances for the year ended December 31, 2020 in comparison to the year ended December 31, 2019.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2020 were approximately \$2.6 million, an increase of \$132,000, or 5.4%, from approximately \$2.4 million for the year ended December 31, 2019. Selling and marketing expenses as a percentage of revenue increased to 21.7% for the year ended December 31, 2020 from 21.3% in 2019. This increase was primarily a result of increased social and digital marketing expenditures incurred during the year in an effort to expand customer engagement. We will continue to balance selling and marketing expenses with our working capital resources.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2020 were approximately \$2.9 million, an increase of \$640,000, or 28%, compared to approximately \$2.3 million for the year ended December 31, 2019. The increase was primarily due to an increase in insurance premiums, board fees, and consulting expenses. General and administrative expenses as a

percentage of revenue increased to 24.6% for the year ended December 31, 2020 from 19.9% in 2019. We will continue to balance general and administrative expenses with our working capital resources.

Interest Expense

We incurred \$151,000 of interest expense for the year ended December 31, 2020 compared to \$442,000 for the year ended December 31, 2019. This decrease was related to the conversion of Convertible Notes that occurred during the year ended December 31, 2019 that resulted in a higher amortization of the discount associated with the beneficial conversion feature on the Convertible Notes. Additionally, this decrease was also due to interest we paid on our line of credit balance in 2019, which we were not required to pay in 2020. Specifically, we allowed our line of credit to expire according to its terms in December 2019 and thus no interest was owed on the line of credit during the year ended December 31, 2020. The interest expense incurred during the year ended December 31, 2020 was non-cash and primarily related to the amortization of the discount associated with the beneficial conversion feature on the Convertible Notes, along with the amortization of associated closing costs and interest related to the Convertible Notes. For the years ended December 31, 2020 and 2019, cash paid for interest was \$0 and \$45,000, respectively, and was primarily related to our line of credit, which expired by its terms in December 2019.

Interest Income

We earned approximately \$24,000 of interest income for the year ended December 31, 2020, compared to \$50,000 for the year ended December 31, 2019. We experienced an increase in cash during July 2019 resulting from financing activities, the proceeds of which were deposited in an interest-bearing money market account and earned \$50,000 of interest during 2019. For the year ended December 31, 2020, the interest rates associated with this money market account decreased significantly, resulting in \$24,000 of interest income for the year ended December 31, 2020.

Income Tax Expense

We had income tax expense of \$27,000 for the year ended December 31, 2020 compared to \$29,000 for 2019, primarily related to the tax provision on income from our Canadian operations. We have not recorded any tax benefit for the loss in our U.S. operations as we have recorded a full valuation allowance on our U.S. net deferred tax assets. We expect to continue to record a full valuation allowance on our U.S. net deferred tax assets until we sustain an appropriate level of taxable income through improved U.S. operations. Our effective tax rate is based on recurring factors, including the forecasted mix of income before taxes in various jurisdictions, estimated permanent differences and the recording of a full valuation allowance on our U.S. net deferred tax assets.

Net Loss

Net loss for the year ended December 31, 2020 increased to approximately \$3.0 million from a net loss of \$2.8 million for the year ended December 31, 2019. The increase in net loss was primarily

due to the increased general and administrative expenses incurred during the year ended December 31, 2020, as described above, in comparison to the year ended December 31, 2019.

Liquidity and Capital Resources

As of December 31, 2020 and 2019, we had cash and cash-equivalents of approximately \$4.6 million and \$6.0 million, respectively, and working capital of approximately \$5.8 million and \$8.4 million, respectively. Net cash used in operations during fiscal years 2020 and 2019 totaled approximately \$1.5 million and \$3.3 million, respectively. Net cash used in operations decreased primarily due to the timing of receivables and payables. Our cash flows vary throughout the year based on seasonality.

For the year ended December 31, 2020, net cash provided by financing activities totaled approximately \$329,000 due to the loan proceeds of approximately \$335,000 under the Paycheck Protection Program, established as part of the Coronavirus Aid, Relief and Economic Security Act. For the year ended December 31, 2019, net cash provided by financing activities totaled approximately \$8.4 million as a result of the proceeds from our July 2019 private placement whereby we sold certain securities to Heavenly Rx for an aggregate purchase price of \$9,000,000 in cash. We incurred a net loss of approximately \$3.0 million for the year ended December 31, 2020 compared to a net loss of approximately \$2.8 million for the year ended December 31, 2019. Our accumulated deficit increased to \$70.0 million as of December 31, 2020 compared to an accumulated deficit of \$67.0 million as of December 31, 2019.

We have experienced recurring losses from operations and negative cash flows from operating activities. This situation creates uncertainties about our ability to execute our business plan, finance operations, and indicates substantial doubt about our ability to continue as a going concern.

We continue to experience negative cash flows from operations, as well as an ongoing requirement for additional capital to support working capital needs. Therefore, currently, based upon our near-term anticipated level of operations and expenditures, management believes that cash on hand, is not sufficient to enable us to fund operations for 12 months from the date the financial statements included in this Report are issued. These conditions raise doubt as to our ability to continue as a going concern. Our ability to continue operations is dependent upon achieving a profitable level of operations and on our ability to obtain necessary financing to fund ongoing operations. The consolidated financial statements included in this Report do not give effect to any adjustments which will be necessary should we be unable to continue as a going concern and therefore be required to realize our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

During 2020 and 2019, we received \$0 and \$28,000, respectively, from the cash exercise of stock options. From time to time, we may receive additional cash through the exercise of stock options or stock warrants. However, we cannot predict the timing or amount of cash proceeds we may receive from the exercise, if at all, of any of the outstanding stock options or warrants.

We may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of financing to fund those needs will depend on a number of factors, including our strategic initiatives and operating plans, the performance of our business and the market conditions for available debt or equity financing. Additionally, the amount of capital required will depend on our ability to meet our sales goals and otherwise successfully execute our operating plan. We believe it is imperative that we meet these sales objectives in order to lessen our reliance on external financing in the future. We intend to continually monitor and adjust our operating plan as necessary to respond to developments in our business, our markets and the broader economy. In addition, the continuation of the COVID-19 pandemic and uncertain market conditions may limit our ability to access capital, may reduce demand for certain products, and may negatively impact our supply chain. Although we believe various debt and equity financing alternatives will be available to us to support our working capital needs, financing arrangements on acceptable terms may not be available to us when needed. Moreover, these alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders. Any such financing alternatives may not provide us with sufficient funds to meet our long-term capital requirements. If necessary, we may explore strategic transactions that we consider to be in the best interest of our company and our shareholders, which may include, without limitation, public or private offerings of debt or equity securities, a rights offering, and other strategic alternatives; however, these options may not ultimately be available or feasible when needed.

Seasonality

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

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions

that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, or if management made different judgments or utilized different estimates. Many of our estimates or judgments are based on anticipated future events or performance, and as such are forward-looking in nature, and are subject to many risks and uncertainties, including those discussed below and elsewhere in this Report. We do not undertake any obligation to update or revise this discussion to reflect any future events or circumstances.

There are certain critical accounting estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We have identified below our accounting policies that we use in arriving at key estimates that we consider critical to our business operations and the understanding of our results of operations. This is not a complete list of all of our accounting policies, and there may be other accounting policies that are significant to us. For a detailed discussion on the application of these and our other accounting policies, see Note 1 to Consolidated Financial Statements of this Report.

Revenue Recognition

We recognize revenue under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. We only apply the five-step model (as described in Note 1 to the Consolidated Financial Statements of this Report) to contracts when it is probable that we will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer.

Inventory

We hold raw materials and finished goods inventories, which are manufactured and procured based on our sales forecasts. We value inventory at the lower of cost or net realizable value and include adjustments for estimated obsolete or excess inventory, on a first in-first out basis. These valuations are subject to customer acceptance, planned and actual product changes, demand for the particular products, and our estimates of future realizable values based on these forecasted demands. We regularly review inventory detail to determine whether a write-down is necessary. We consider various factors in making this determination, including recent sales history and predicted trends, industry market conditions and general economic conditions. The amount and timing of write-downs for any period could change if we make different judgments or use different estimates. We also determine whether a provision for obsolete or excess inventory is required on products that are over 12 months from production date or any changes related to market conditions, slow-moving inventory or obsolete products.

Trade Spend and Promotion Expenses

Throughout the year, we run trade spend and promotional programs with distributors and retailers to help promote on- shelf discounts to our consumers. Additionally, in more limited instances, we enter into customer marketing agreements or various other slotting arrangements. The provisions for discounts, slotting fees and promotion allowances is recorded as an offset to revenue and shown net on the consolidated statement of operations. Estimates are made to accrue for amounts that have not yet been invoiced in the month that the program occurs, or in the case of slotting, when the commitment is made.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Report and the 2020 audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission ("SEC") on March 24, 2021.

This Report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "believe," "expect," "intend," "anticipate," "estimate," "may," "will," "can," "plan," "predict," "could," "future," "continue," variations of such words, and similar expressions. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined at the beginning of this Report under "Cautionary Notice Regarding Forward-Looking Statements" and in Item 1A of our most recent Annual Report on Form 10-K filed with the SEC, and in our other reports we file with the SEC, including our periodic reports on Form 10-Q and current reports on Form 8-K. These factors may cause our actual results to differ materially from any forward-looking statements. Except as required by law, we undertake no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview

We develop, produce, market and distribute premium beverages that we sell and distribute primarily in the United States and Canada through our network of independent distributors and directly to our national and regional retail accounts. We also sell products in select international markets. Our products are sold in grocery stores, convenience and gas stores, on fountain in restaurants, "up and down the street" in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through our national accounts with several large retailers. We refer to our network of independent distributors as our direct store delivery ("DSD") channel, and we refer to our national and regional accounts who receive shipments directly from us as our direct to retail ("DTR") channel. We do not directly manufacture our products, but instead outsource the manufacturing process to third-party contract manufacturers. We also sell various products online, including soda with customized labels, wearables, candy and other items, and we license our trademarks for use on products sold by other manufacturers.

Our Focus: Sales Growth

Our focus is sales growth through the execution of the following key initiatives:

- Expand the Jones Soda glass bottle business in existing and new sales channels;

- Expand our fountain program in the United States and Canada; and
- Increase distribution of Lemoncocco in the United States and Canada.

In addition, we intend to pursue the development of new extensions to Jones products, including the potential commercialization of Tetrahydrocannabinol (THC) and cannabidiol (CBD)-infused beverages, and plan to use the proceeds of the Convertible Debenture and transactions outlined in the Term Sheet (each as described below) exclusively for transaction costs and the expansion our business to the production and sale of cannabis-containing beverages, edibles and related products.

Results of Operations

The following selected financial and operating data are derived from our condensed consolidated financial statements and should be read in conjunction with our condensed consolidated financial statements.

	<u>Three months ended September 30,</u>				<u>Nine months ended September 30,</u>			
	<u>2021</u>	<u>% of Revenue</u>	<u>2020</u>	<u>% of Revenue</u>	<u>2021</u>	<u>% of Revenue</u>	<u>2020</u>	<u>% of Revenue</u>
	<u>(Dollars in thousands, except per share data)</u>				<u>(Dollars in thousands, except per share data)</u>			
Consolidated statements of operations data:								
Revenue	\$ 4,565	100.0%	\$ 3,541	100.0%	\$11,880	100.0%	\$ 9,431	100.0%
Cost of goods sold	(3,102)	(68.0%)	(2,619)	(74.0%)	(8,255)	(69.5%)	(7,341)	(77.8%)
Gross profit	1,463	32.0%	922	26.0%	3,625	30.5%	2,090	22.2%
Selling and marketing expenses	(733)	(16.1%)	(642)	(18.1%)	(2,104)	(17.7%)	(1,924)	(20.4%)
General and administrative expenses	(716)	(15.7%)	(674)	(19.0%)	(2,147)	(18.1%)	(2,136)	(22.6%)
Income (loss) from operations	14	0.3%	(394)	(11.1%)	(626)	(5.3%)	(1,970)	(20.9%)
Interest income	1	0.0%	2	0.1%	3	0.0%	23	0.2%
Interest expense	(76)	(1.7%)	(40)	(1.1%)	(160)	(1.3%)	(116)	(1.2%)
Other income (expense), net	10	0.2%	(11)	(0.3%)	338	2.8%	3	0.0%
Loss before income taxes	(51)	(1.1%)	(443)	(12.5%)	(445)	(3.7%)	(2,060)	(21.8%)
Income tax expense, net	(8)	(0.2%)	(7)	(0.2%)	(24)	(0.2%)	(19)	(0.2%)
Net loss	<u>\$ (59)</u>	<u>(1.3%)</u>	<u>\$ (450)</u>	<u>(12.7%)</u>	<u>\$ (469)</u>	<u>(3.9%)</u>	<u>\$ (2,079)</u>	<u>(22.0%)</u>
Basic and diluted net loss per share	\$ (0.00)		\$ (0.01)		\$ (0.01)		\$ (0.03)	

	As of	
	September 30, 2021	December 31, 2020
	(Dollars in thousands)	
Balance sheet data:		
Cash and cash equivalents and accounts receivable, net	\$ 8,608	\$ 6,195
Fixed assets, net	261	305
Total assets	11,052	9,053
Long-term liabilities	2,056	2,188
Working capital	7,284	5,758

Seasonality and Other Fluctuations

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

Quarter Ended September 30, 2021 Compared to Quarter Ended September 30, 2020

Revenue

For the quarter ended September 30, 2021, revenue increased by approximately \$1.0 million, or 29%, to approximately \$4.6 million compared to approximately \$3.5 million for the quarter ended September 30, 2020. This increase was primarily a result of increased DSD and DTR core bottled soda sales in the United States and Canada. Additionally, our fountain business returned to growth through increased sales in the food service channel.

For the quarter ended September 30, 2021, trade spend and promotion allowances, which offset revenue, totaled approximately \$377,000, a decrease of approximately \$149,000, or 28%, compared to approximately \$526,000 for the quarter ended September 30, 2020, due to the timing of incentive and retailer programs.

Gross Profit

For the quarter ended September 30, 2021, gross profit increased by approximately \$541,000, or 59%, to approximately \$1.5 million compared to approximately \$922,000 for the quarter ended September 30, 2020 due to higher revenues in the quarter ended September 30, 2021, the continued shift to a more profitable product mix and our ongoing efforts to optimize supply chain and promotional costs. For the quarter ended September 30, 2021,

gross margin increased to 32% from 26% for the quarter ended September 30, 2020. This increase in gross margin was for the same reasons as noted above.

Selling and Marketing Expenses

Selling and marketing expenses for the quarter ended September 30, 2021 were approximately \$733,000, an increase of approximately \$91,000, or 14%, from approximately \$642,000 for the quarter ended September 30, 2020. Selling and marketing expenses as a percentage of revenue decreased to 16% in the quarter ended September 30, 2021 from 18% in the same period in 2020 due to the increase in revenue during the 2021 period. This increase in total selling and marketing expenses was primarily a result of the launch of multiple marketing programs, including our new augmented reality “Reel Label” series, multiple special release flavors, and additional digital marketing efforts such as the new Jones Soda phone application and an increase in paid social media, search engine optimization, influencer and email marketing efforts. We will continue to balance selling and marketing expenses with our working capital resources. For the three months ended September 30, 2021 and 2020, non-cash expenses included in selling and marketing expenses (stock compensation and depreciation) were approximately \$21,000 and \$57,000, respectively.

General and Administrative Expenses

General and administrative expenses for the quarter ended September 30, 2021 were approximately \$716,000, an increase of approximately \$42,000, or 6.2%, compared to approximately \$674,000 for the quarter ended September 30, 2020. General and administrative expenses as a percentage of revenue decreased to 15.7% in the quarter ended September 30, 2021 from 18.1% in the same period in 2020. We will continue to carefully manage general and administrative expenses with our working capital resources. For the three months ended September 30, 2021 and 2020, non-cash expenses included in general and administrative expenses (stock compensation and depreciation) were approximately \$27,000 and \$25,000, respectively.

Interest Income

We earned approximately \$1,000 of interest income for the quarter ended September 30, 2021, compared to \$2,000 for the quarter ended September 30, 2020. This decrease was related to a decrease in interest rates for interest-bearing money market accounts.

Interest Expense

We incurred approximately \$76,000 of interest expense for the quarter ended September 30, 2021, compared to approximately \$40,000 for the quarter ended September 30, 2020. This increase was primarily related to the accrued interest associated with the Convertible Debenture entered into in July 2021.

Income Tax Expense

We incurred approximately \$8,000 and \$7,000 of income tax expense for the quarters ended September 30, 2021 and 2020, respectively, primarily related to the tax provision on income from our Canadian operations. We have not recorded any tax benefit for the loss in our U.S. operations as we have recorded a full valuation allowance on our U.S. net deferred tax assets. We expect to continue to record a full valuation allowance on our U.S. net deferred tax assets until we sustain an appropriate level of taxable income through improved U.S. operations. Our effective tax rate is based on recurring factors, including the forecasted mix of income before taxes in various jurisdictions, estimated permanent differences and the recording of a full valuation allowance on our U.S. net deferred tax assets.

Net loss

Net loss for the quarter ended September 30, 2021 was approximately \$59,000 compared to net loss of approximately \$450,000 for the quarter ended September 30, 2020. This decrease in net loss was primarily due to the increase in revenues and gross profit.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Revenue

For the nine months ended September 30, 2021, revenue increased by approximately \$2.4 million, or 26%, to approximately \$11.9 million compared to approximately \$9.4 million for the nine months ended September 30, 2020. This increase was primarily a result of increased DSD and DTR core bottled soda sales in the United States and Canada. Additionally, our fountain business returned to growth through increased sales in the food service channel.

For the nine months ended September 30, 2021, trade spend and promotion allowances, which offset revenue, totaled approximately \$1.2 million, a decrease of approximately \$49,000, or 4%, compared to approximately \$1.2 million for the nine months ended September 30, 2020, due to the timing of incentive and retailer programs.

Gross Profit

For the nine months ended September 30, 2021, gross profit increased by approximately \$1.5 million, or 73.4%, to approximately \$3.6 million compared to approximately \$2.1 million for the nine months ended September 30, 2020 due to higher revenues in the quarter ended September 30, 2021, the continued shift to a more profitable product mix and ongoing efforts to optimize supply chain and promotional costs. For the nine months ended September 30, 2021, gross margin increased to 30.5% from 22.2% for the nine months ended September 30, 2020. This increase in gross margin was for the same reasons as noted above.

Selling and Marketing Expenses

Selling and marketing expenses for the nine months ended September 30, 2021 were approximately \$2.1 million, an increase of approximately \$180,000, or 9.4%, from approximately \$1.9 million for the nine months ended September 30, 2020. Selling and marketing expenses as a percentage of revenue decreased to 17.7% for the nine months ended September 30, 2021 from 20.4% in the same period in 2020 due to the increase in revenue during the 2021 period. This increase in total selling and marketing expenses was primarily a result of the launch of multiple marketing programs, including our new augmented reality “Reel Label” series, multiple special release flavors, and additional digital marketing efforts such as the new Jones Soda phone application and an increase in paid social media, search engine optimization, influencer and email marketing efforts. We will continue to balance selling and marketing expenses with our working capital resources. For the nine months ended September 30, 2021 and 2020, non-cash expenses included in selling and marketing expenses (stock compensation and depreciation) were approximately \$80,000 and \$92,000, respectively.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2021 were approximately \$2.1 million, an increase of approximately \$11,000, or 0.5%, compared to approximately \$2.1 million for the nine months ended September 30, 2020. General and administrative expenses as a percentage of revenue decreased to 18.1% in the nine months ended September 30, 2021 from 22.6% in the same period in 2020. We will continue to carefully manage general and administrative expenses with our working capital resources. For the nine months ended September 30, 2021 and 2020, non-cash expenses included in general and administrative expenses (stock compensation and depreciation) were approximately \$97,000 and \$83,000, respectively.

Interest Income

We earned approximately \$3,000 of interest income for the nine months ended September 30, 2021, compared to \$23,000 for the nine months ended September 30, 2020. This decrease was related to a significant decrease in interest rates for interest-bearing money market accounts.

Interest Expense

We incurred approximately \$160,000 of interest expense for the nine months ended September 30, 2021, compared to approximately \$116,000 for the nine months ended September 30, 2020. This increase was primarily related to the accrued interest associated with the Convertible Debenture entered into in July 2021.

Income Tax Expense

We incurred approximately \$24,000 and \$19,000 of income tax expense for the nine months ended September 30, 2021 and 2020, respectively, primarily related to the tax provision on income from our Canadian operations. We have not recorded any tax benefit for the loss in our U.S. operations as we have recorded a full valuation allowance on our U.S. net

deferred tax assets. We expect to continue to record a full valuation allowance on our U.S. net deferred tax assets until we sustain an appropriate level of taxable income through improved U.S. operations. Our effective tax rate is based on recurring factors, including the forecasted mix of income before taxes in various jurisdictions, estimated permanent differences and the recording of a full valuation allowance on our U.S. net deferred tax assets.

Other income (expense)

We incurred approximately \$338,000 and \$3,000 of other income during the nine months ended September 30, 2021 and 2020, respectively. This increase in other income is due to our recognition of gain on debt forgiveness related to the full forgiveness of our PPP Loan in the principal amount of \$334,500 during the nine months ended September 30, 2021.

Net loss

Net loss for the nine months ended September 30, 2021 was approximately \$469,000 compared to net loss of approximately \$2.1 million for the nine months ended September 30, 2020. This decrease in loss was primarily due to the increase in gross profit, increase in revenue, and forgiveness of our PPP loan that occurred during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Liquidity and Capital Resources

As of September 30, 2021, we had cash and cash-equivalents of approximately \$5.9 million and working capital of approximately \$7.3 million. Net cash used in operations during the nine months ended September 30, 2021 and 2020 totaled approximately \$702,000 and \$1.9 million, respectively.

During the nine months ended September 30, 2021 and 2020, we received \$295,000 and \$0, respectively, from the cash exercise of stock options. From time to time, we may receive additional cash through the exercise of stock options. However, we cannot predict the timing or amount of cash proceeds we may receive from the exercise, if at all, of any of the outstanding stock options or warrants.

We have experienced recurring losses from operations and negative cash flows from operating activities. This situation creates uncertainties about our ability to execute our business plan, finance operations, and indicates substantial doubt about the Company's ability to continue as a going concern. On July 14, 2021, we received net proceeds of \$1.7 million in connection with the Convertible Debenture described below under "Recent Developments". We believe that this recent financing will help alleviate the conditions which we believed initially indicated substantial doubt about our ability to continue as a going concern. However, we have experienced and continue to experience negative cash flows from operations, as well as an ongoing requirement for additional capital to support working capital needs. Therefore, even with the proceeds of this financing, we may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of additional financing to fund those needs will depend on a number of factors, including the receipt of any proceeds from the planned

Concurrent Offering (defined below) as well as from any other financing we complete in connection with the Arrangement (defined below), our strategic initiatives and operating plans, our ability to execute our plans to develop and market cannabis-infused beverages and edibles and the timing and costs of the development of this new product line, our estimates of the size of the markets for our potential cannabis products, the performance of our business and the market conditions for available debt or equity financing. Additionally, the amount of capital required will depend on our ability to meet our sales goals and otherwise successfully execute our operating plan. We believe it is imperative that we meet these sales objectives in order to lessen our reliance on external financing in the future. We intend to continually monitor and adjust our operating plan as necessary to respond to developments in our business, our markets and the broader economy. In addition, the continuation of the COVID-19 pandemic and uncertain market conditions may limit our ability to access capital, may reduce demand for certain products, and may negatively impact our supply chain.

Although we believe various debt and equity financing alternatives will be available to us to support our working capital needs, financing arrangements on acceptable terms may not be available to us when needed. In addition, the terms of the Convertible Debenture restrict, among other things, the amount of additional debt we can incur, as well as the number of shares of common stock we may issue, without the consent of the debentureholder. Moreover, any debt or equity financing alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders. Any such financing alternatives may not provide us with sufficient funds to meet our long-term capital requirements. If necessary, we may explore strategic transactions in addition to the Arrangement, Concurrent Financing and any related financings that we consider to be in the best interest of our company and our shareholders, which may include, without limitation, public or private offerings of debt or equity securities, a rights offering, and other strategic alternatives; however, these options may not ultimately be available or feasible when needed.

As of the date of this Quarterly Report, as a result of our cash on hand as well as the issuance of the Convertible Debenture, we believe that our current cash and cash equivalents will be sufficient to meet the Company's funding requirements for one year after these consolidated financial statements are issued.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

See the information concerning our critical accounting policies included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on March 24, 2021. There have been no material changes in our critical accounting policies during the nine months ended September 30, 2021.

Recent Developments

As previously disclosed in a Current Report on Form 8-K filed on October 22, 2021, on October 18, 2021, we entered into the Arrangement Agreement with Pinestar pursuant to which we agreed to acquire all of the issued and outstanding shares of Pinestar on the basis of one share of our common stock (each, a “Jones Share”) for each common share of Pinestar (each, a “Pinestar Share”) (after Pinestar completes a consolidation of the Pinestar Shares whereby 10.031 pre-consolidated Pinestar Shares are consolidated into one consolidated Pinestar Share (the “Consolidation”)) by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). Additionally, Pinestar currently has outstanding 16,800,000 existing common share purchase warrants (the “Pinestar Warrants”) and, as a result of the Consolidation, the exercise price of, and the number of Pinestar Shares issuable pursuant to the Pinestar Warrants shall be adjusted in accordance with their terms to account for the Consolidation, resulting in an aggregate of approximately 1,674,808 post-Consolidated Pinestar Warrants, subject to rounding, each exercisable for the purchase of one post-Consolidation Pinestar Share at a price of Cdn\$0.06 per share. As part of the Arrangement, an aggregate of 700,000 post-Consolidation Pinestar Warrants will be transferred to us for no consideration (and subsequently cancelled), and the obligations in respect of each remaining post-Consolidated Pinestar Warrant will be assumed by us and each such remaining post-Consolidated Pinestar Warrant will become exercisable into one Jones Share at a price of Cdn\$0.06 per share.

In connection with the Arrangement, Pinestar agreed to complete an offering expected to be for subscription receipts (“Subscription Receipts”) for minimum aggregate gross proceeds of US\$8,000,000, at a price per Subscription Receipt equal to US\$0.50 (the “Concurrent Offering”). The Arrangement Agreement provides that each Subscription Receipt will automatically convert into one Pinestar Share and one new common share purchase warrant of Pinestar, which will then be immediately exchanged for, or adjusted into, Jones Shares and share purchase special warrants of our company in accordance with a 1:1 exchange ratio as part of the Arrangement.

The Arrangement Agreement also provides that upon the closing of the Arrangement, our board of directors will consist of Jamie Colbourne, Mark Murray, Clive Sirkin, Paul Norman, Alex Spiro and an additional director to be determined by us.

The Arrangement is subject to a number of conditions being satisfied or waived by one or both of us and Pinestar at or prior to closing of the Arrangement, including approval of the Arrangement by Pinestar’s shareholders, completion of the Consolidation, the surrender of the 700,000 post-Consolidation Pinestar Warrants discussed above, and the receipt of all necessary regulatory and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature, including completion of the Concurrent Offering, and the conditional approval of the listing of the Jones Shares on the Canadian Securities Exchange. The Arrangement Agreement also includes customary provisions, including non-solicitation, right-to-match and fiduciary out provisions, as well as certain representations, covenants and conditions that are customary for a transaction of this nature. A

termination fee of US\$200,000 may be payable by either party in the case of certain terminating events.

The issuance of the Jones Shares to the holders of Pinestar Shares (including Pinestar Shares to be received upon the exercise of Subscription Receipts) in the Arrangement are intended to be exempt from the registration requirements under the United States Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 3(a)(10) of the Securities Act.

As previously disclosed, our former independent registered public accounting firm, BDO USA, LLP, resigned as our independent registered public accounting firm effective as of September 9, 2021. On September 30, 2021, through and with the approval of our audit committee, we appointed Armanino LLP as our independent registered public accounting firm.

CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures (as such terms are defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that these disclosure controls and procedures were effective as of September 30, 2021.

(b) Changes in internal controls

There were no changes in our internal controls over financial reporting during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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**SCHEDULE G
STOCK OPTION PLAN**

[See Attached]

JONES SODA CO.

2011 INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the Jones Soda Co. 2011 Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's shareholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

(a) The Plan shall be administered by the Board or the Compensation and Governance Committee (including a subcommittee thereof), which shall be composed of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission, and an "outside director" within the meaning of Section 162(m) of the Code, or any successor provision thereto.

(b) Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to different committees consisting of two or more members of the Board, subject to such limitations as the Board deems appropriate, except with respect to Awards to Participants who are subject to Section 16 of the Exchange Act or Awards granted pursuant to Section 16 of the Plan. Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board may authorize one or more senior executive officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act. All references in the Plan to the "*Committee*" shall be, as applicable, to the Board, the Compensation and Governance Committee or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.2 Administration and Interpretation by Committee

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Award to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms, conditions, restrictions and limitations, if any, of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (viii) establish such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (ix) delegate ministerial duties to such of the Company's employees as it so determines; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

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(b) In no event, however, shall the Committee have the right, without shareholder approval, to (i) lower the exercise or grant price of an Option or SAR after it is granted, except in connection with adjustments provided in Section 15.1; (ii) cancel an Option or SAR at a time when its exercise or grant price exceeds the fair market value of the underlying stock, in exchange for cash, another option or stock appreciation right, restricted stock or other equity award, unless the cancellation and exchange occur in connection with a merger, acquisition, spin-off or other similar corporate transaction; or (iii) take any other action that is treated as a repricing under generally accepted accounting principles.

(c) The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors or executive officers, by the Compensation and Governance Committee, whose determination shall be final.

(d) Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any shareholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 15.1, the number of shares of Common Stock available for issuance under the Plan shall be:

(a) 12,084,032 shares; plus

(b) an annual increase to be added as of the first day of the Company's fiscal year beginning in 2012 equal to the least of (i) 1,300,000 shares, (ii) 4.0% of the outstanding Common Stock as of the end of the Company's immediately preceding fiscal year, and (iii) a lesser amount determined by the Board; provided, however, that any shares from any such increases in previous years that are not actually issued shall continue to be available for issuance under the Plan, and provided further that the aggregate number of shares of Common Stock that may be granted pursuant to all Awards in a single fiscal year shall not exceed 10% of the Company's outstanding shares of Common Stock on a fully diluted basis as of the end of the Company's immediately preceding fiscal year.

Shares issued under the Plan shall be drawn from authorized and unissued shares.

4.2 Share Usage

(a) If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Notwithstanding the foregoing, any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash, or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall not become available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.

(b) The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

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(c) Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination and previously approved by the Acquired Entity's shareholders, then, to the extent determined by the Board or the Compensation and Governance Committee, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation or statutory share exchange is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d) Notwithstanding the other provisions in this Section 4.2 to the contrary, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 4.1, subject to adjustment as provided in Section 15.1.

(e) Notwithstanding any other provision of the Plan to the contrary, and subject to adjustment as provided in Section 15.1, the maximum number of shares of Common Stock that may be granted subject to all Awards (other than Awards of Options or Stock Appreciation Rights) in a single calendar year shall not exceed 500,000 shares.

SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on the number of shares underlying an Option or a Stock Appreciation Right may not be contingent, directly or indirectly on the exercise of the Option or Stock Appreciation Right, and must comply with or qualify for an exemption under Section 409A. Also notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock must (a) be paid at the same time they are paid to other shareholders and (b) comply with or qualify for an exemption under Section 409A.

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SECTION 7. OPTIONS

7.1 Grant of Options

The Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and shall not be less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options), except in the case of Substitute Awards.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be ten years from the Grant Date. For Incentive Stock Options, the maximum term shall comply with Section 422 of the Code.

7.4 Exercise of Options

The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Committee at any time.

If not so established in the instrument evidencing the Option, the Option shall vest and become exercisable according to the following schedule, which may be waived or modified by the Committee at any time:

Period of Participant's Continuous Employment or Service With the Company

or Its Related Companies from the Vesting

Commencement Date

After one year

Each additional one-month period of continuous service completed thereafter

After four years

To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Section 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

(a) cash;

(b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e) so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Committee may permit.

7.6 Effect of Termination of Service

The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Committee at any time. If not so established in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Committee at any time:

(a) Any portion of an Option that is not vested and exercisable on the date of a Participant's Termination of Service shall expire on such date.

(b) Any portion of an Option that is vested and exercisable on the date of a Participant's Termination of Service shall expire on the earliest to occur of:

(i) if the Participant's Termination of Service occurs for reasons other than Cause, Retirement, Disability or death, the date that is three months after such Termination of Service;

(ii) if the Participant's Termination of Service occurs by reason of Retirement, Disability or death, the one-year anniversary of such Termination of Service; and

(iii) the Option Expiration Date.

Notwithstanding the foregoing, if a Participant dies after his or her Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (y) the Option Expiration Date and (z) the one-year anniversary of the date of death, unless the Committee determines otherwise.

Also notwithstanding the foregoing, in case a Participant's Termination of Service occurs for Cause, all Options granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Committee determines otherwise. If a Participant's employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant's rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's Termination of Service, any Option then held by the Participant may be immediately terminated by the Committee, in its sole discretion.

SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder, including, to the extent required thereunder, the following:

8.1 Eligible Employees

Individuals who are not employees of the Company or one of its parent or subsidiary corporations (as such terms are defined for purposes of Section 422 of the Code) on the Grant Date may not be granted Incentive Stock Options.

8.2 Dollar Limitation

To the extent the aggregate Fair Market Value of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year exceeds \$100,000 (or, if different,

the maximum limitation in effect at the time of grant under the Code), such portion in excess of \$100,000 shall be treated as a Nonqualified Stock Option.

8.3 Ten Percent Shareholders

In the case of an Incentive Stock Option granted to a Participant who owns more than 10% of the total combined voting power of all classes of the stock of the Company or of its parent or subsidiary corporations, such Option shall be granted with an exercise price per share not less than 110% of the Fair Market Value of the Common Stock on the Grant Date and with a maximum term of five years from the Grant Date. The determination of more than 10% ownership shall be made in accordance with Section 422 of the Code.

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SECTION 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. An SAR may be granted in tandem with an Option or alone (“freestanding”). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for the term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

9.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

9.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

10.1 Grant of Stock Awards, Restricted Stock and Stock Units

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

10.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions of Restricted Stock or Stock Units, as determined by the Committee, and subject to applicable securities laws, (a) the shares of Restricted Stock covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

10.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 11. PERFORMANCE AWARDS

11.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

11.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash or in shares of Common Stock under the Plan.

SECTION 13. WITHHOLDING

The Company may require the Participant to pay to the Company or a Related Company, as applicable, the amount of (a) any taxes that the Company or a Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (b) any amounts due from the Participant to the Company or to any Related Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any

shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

The Committee may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (a) paying cash to the Company or a Related Company, as applicable, (b) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company to the Participant, (c) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.

SECTION 14. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award subject to such terms and conditions as the Committee shall specify.

SECTION 15. ADJUSTMENTS

15.1 Adjustment of Shares

In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, statutory share exchange, distribution to shareholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (a) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (b) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, then the Committee shall make proportional adjustments in (i) the maximum number and kind of securities available for issuance under the Plan; (ii) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.2(d); (iii) the maximum number and kind of securities issuable pursuant to Awards as set forth in Section 4.2(e); (iv) the maximum numbers and kind of securities set forth in Section 16.3; and (v) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities, without any change in the aggregate price to be paid therefor. The determination by the Committee as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Change of Control shall not be governed by this Section 15.1 but shall be governed by Sections 15.2 and 15.3, respectively.

15.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

15.3 Change of Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change of Control:

(a) All outstanding Awards, other than Performance Shares and Performance Units, shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change of Control and such Awards shall terminate at the effective time of the Change of Control; provided, however, that with respect to a Change of Control that is a Company Transaction in which such Awards could be converted, assumed, substituted for or replaced by the Successor Company, such Awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, only if and to the extent such Awards are not converted, assumed, substituted for or replaced by the Successor Company. If and to the extent that the Successor Company converts, assumes, substitutes for or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award.

For the purposes of this Section 15.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Company Transaction the option or right confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Company Transaction, the consideration (whether stock, cash or other securities or property) received in the Company Transaction by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Company Transaction is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Company Transaction. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(b) All Performance Shares or Performance Units earned and outstanding as of the date the Change of Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any remaining outstanding Performance Shares or Performance Units (including any applicable performance period) for which the payout level has not been determined shall be prorated at the target payout level up to and including the date of such Change of Control and shall be payable accordance with the payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Committee in its sole discretion shall remain in effect.

(c) Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide in the event of a Change of Control that is a Company Transaction that a Participant's outstanding Awards shall terminate upon or immediately prior to such Company Transaction and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in the Company Transaction, or, in the event the Company Transaction is one of the transactions listed under subsection (c) in the definition of Company

Transaction or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(d) For the avoidance of doubt, nothing in this Section 15.3 requires all outstanding Awards to be treated similarly.

15.4 Further Adjustment of Awards

Subject to Sections 15.2 and 15.3, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, a statutory share exchange, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

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15.5 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

15.6 No Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

15.7 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 15 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 16. CODE SECTION 162(m) PROVISIONS

Notwithstanding any other provision of the Plan to the contrary, if the Committee determines, at the time Awards are granted to a Participant who is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 16 is applicable to such Award.

16.1 Performance Criteria

If an Award is subject to this Section 16, then the lapsing of restrictions thereon and the distribution of cash, shares of Common Stock or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one of or any combination of the following “performance criteria” for the Company as a whole or any affiliate or business unit of the Company, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other expenses); revenues; operating margins; return on assets; return on equity; debt; debt plus equity; market or economic value added; stock price appreciation; total shareholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management or asset management metrics (together, the “*Performance Criteria*”).

Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable affiliate or business unit of the Company) under one or more of the Performance Criteria described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (iv) any reorganization and restructuring programs, (v) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in Management’s Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company’s annual report to shareholders for the applicable year, (vi) acquisitions or divestitures, (vii) foreign exchange gains and losses, (viii) gains and losses on asset sales; and (ix) impairments. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that satisfies the requirements for “performance-based compensation” within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

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16.2 Adjustment of Awards

Notwithstanding any provision of the Plan other than Section 15, with respect to any Award that is subject to this Section 16, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or disability of the Covered Employee.

16.3 Limitations

Subject to adjustment from time to time as provided in Section 15.1, no Covered Employee may be granted Awards other than Performance Units subject to this Section 16 in any calendar year period with respect to more than 1,000,000 shares of Common Stock for such Awards, except that the Company may make additional onetime grants of such Awards for up to 500,000 shares to newly hired or newly promoted individuals, and the maximum dollar value payable with respect to Performance Units or other awards payable in cash subject to this Section 16 granted to any Covered Employee in any one calendar year is \$1,000,000.

The Committee shall have the power to impose such other restrictions on Awards subject to this Section 16 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for “performance-based compensation” within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

SECTION 17. AMENDMENT AND TERMINATION

17.1 Amendment, Suspension or Termination

The Board or the Compensation and Governance Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, shareholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires shareholder approval may be made only by the Board. Subject to Section 17.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

17.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall automatically terminate on the tenth anniversary of the earlier of (a) the date the Board adopts the Plan and (b) the date the shareholders approve the Plan. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

17.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 18. GENERAL

18.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

18.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign

jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (ii) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

18.3 Indemnification

Each person who is or shall have been a member of the Board, the Compensation and Governance Committee, or a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

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18.4 No Rights as a Shareholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a shareholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

18.5 Compliance with Laws and Regulations

(a) In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

(b) The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A; provided, however, that the Committee makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan.

18.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

18.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

18.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

18.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

18.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Washington without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

18.11 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 19. EFFECTIVE DATE

The effective date (the "*Effective Date*") is the date on which the Plan is approved by the shareholders of the Company. If the shareholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan, any Incentive Stock Options granted under the Plan will be treated as Nonqualified Stock Options.

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APPENDIX A

DEFINITIONS

As used in the Plan,

"*Acquired Entity*" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"*Award*" means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

"*Board*" means the Board of Directors of the Company.

"*Cause*," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, misconduct, unauthorized use or disclosure of confidential information, trade secrets or intellectual property, or conviction or confession (including a plea of no contest) of a crime punishable by law (except minor violations), or conduct that adversely affects the Company's business or reputation, in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation and Governance Committee, each of whose determination as to whether an action constitutes Cause shall be conclusive and binding.

“*Change of Control*,” unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means the occurrence of any of the following events:

(a) an acquisition by any Entity of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the number of then outstanding shares of common stock of the Company (the “*Outstanding Company Common Stock*”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “*Outstanding Company Voting Securities*”), provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege where the security being so converted was not acquired directly from the Company by the party exercising the conversion privilege, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Company, or (iv) an acquisition by any Entity pursuant to a transaction that meets the conditions of clauses (i), (ii) and (iii) set forth in the definition of Company Transaction;

(b) a change in the composition of the Board during any 24-month period such that the individuals who, as of the beginning of such 24-month period, constitute the Board (the “*Incumbent Board*”) cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, any individual who becomes a member of the Board subsequent to the beginning of the 24-month period, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be considered a member of the Incumbent Board; or

(c) consummation of a Company Transaction.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Committee*” has the meaning set forth in Section 3.1.

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“*Common Stock*” means the common stock, no par value per share, of the Company.

“*Company*” means Jones Soda Co., a Washington corporation.

“*Company Transaction*,” unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a statutory share exchange pursuant to which the Company’s outstanding shares are acquired or a sale in one transaction or a series of transactions undertaken with a common purpose of at least 50% of the Company’s outstanding voting securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of all or substantially all of the Company’s assets;

excluding, however, in each case, a transaction pursuant to which

(i) the Entities who are the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Company Transaction will beneficially own, directly or indirectly, at least 50% of the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such Company Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, 33% or more of, respectively, the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Company Transaction; and

(iii) individuals who were members of the Incumbent Board will immediately after the consummation of the Company Transaction constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Company Transaction, the date of such Company Transaction shall be the date on which the last of such transactions is consummated.

“*Compensation and Governance Committee*” means the Compensation and Governance Committee of the Board.

“*Covered Employee*” means a “covered employee” as that term is defined for purposes of Section 162(m)(3) of the Code or any successor provision.

“*Disability*,” unless otherwise defined by the Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company’s chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation and Governance Committee, whose determination shall be conclusive and binding.

“*Effective Date*” has the meaning set forth in Section 19.

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“*Eligible Person*” means any person eligible to receive an Award as set forth in Section 5.

“*Entity*” means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

“*Fair Market Value*” means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

“*Grant Date*” means the later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

“*Incentive Stock Option*” means an Option granted with the intention that it qualify as an “incentive stock option” as that term is defined for purposes of Section 422 of the Code or any successor provision.

“*Incumbent Board*” has the meaning set forth in the definition of “Change of Control.”

“*Nonqualified Stock Option*” means an Option other than an Incentive Stock Option.

“*Option*” means a right to purchase Common Stock granted under Section 7.

“*Option Expiration Date*” means the last day of the maximum term of an Option.

“*Outstanding Company Common Stock*” has the meaning set forth in the definition of “Change of Control.”

“*Outstanding Company Voting Securities*” has the meaning set forth in the definition of “Change of Control.”

“*Parent Company*” means a company or other entity which as a result of a Company Transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries.

“*Participant*” means any Eligible Person to whom an Award is granted.

“*Performance Award*” means an Award of Performance Shares or Performance Units granted under Section 11.

“*Performance Criteria*” has the meaning set forth in Section 16.1.

“*Performance Share*” means an Award of units denominated in shares of Common Stock granted under Section 11.1.

“*Performance Unit*” means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

“*Plan*” means the Jones Soda Co. 2011 Incentive Plan, as the same may be amended from time to time.

“*Prior Plan*” has the meaning set forth in Section 4.1(b).

“*Related Company*” means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

“*Restricted Stock*” means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Committee.

“*Restricted Stock Unit*” means a Stock Unit subject to restrictions prescribed by the Committee.

“*Retirement*,” unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means “Retirement” as defined for purposes of the Plan by the Committee or the Company’s chief human resources officer or other

person performing that function or, if not so defined, means Termination of Service on or after the date the Participant reaches “normal retirement age,” as that term is defined in Section 411(a)(8) of the Code.

“*Securities Act*” means the Securities Act of 1933, as amended from time to time.

“*Section 409A*” means Section 409A of the Code.

“*Stock Appreciation Right*” or “*SAR*” means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

“*Stock Award*” means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

“*Stock Unit*,” including Restricted Stock Unit, means an Award denominated in units of Common Stock granted under Section 10.

“*Substitute Awards*” means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

“*Successor Company*” means the surviving company, the successor company or Parent Company, as applicable, in connection with a Company Transaction.

“*Termination of Service*” means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company’s chief human resources officer or other person performing that function or, with respect to directors and executive officers, by the Compensation and Governance Committee, whose determination shall be conclusive and binding. Transfer of a Participant’s employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Compensation and Governance Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant’s employment or service relationship is with an entity that has ceased to be a Related Company. A Participant’s change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor, or independent contractor of the Company or a Related Company or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

“*Vesting Commencement Date*” means the Grant Date or such other date selected by the Committee as the date from which an Award begins to vest.



JONES SODA CO.
C/O BRIDGE
FD. BOX 1242
BRANTWOOD, NY 11717

D45581-P53181

Your **Vote** Counts!

JONES SODA CO.

2021 Annual Meeting
Vote by May 12, 2021
11:59 PM ET



You invested in JONES SODA CO. and it's time to vote!

You have the right to vote on proposals being presented at the Annual Meeting. **This is an important notice regarding the availability of proxy material for the shareholder meeting to be held on May 13, 2021.**

Get informed before you vote

View the Notice and Proxy Statement and Annual Report on Form 10-K online at www.ProxyVote.com OR you can receive a free paper or email copy of the material(s) by requesting prior to April 29, 2021. If you would like to request a copy of the material(s) for this and/or future shareholder meetings, you may (1) visit www.ProxyVote.com, (2) call 1-800-579-1639 or (3) send an email to sendmaterial@proxymote.com. If sending an email, please include your control number (indicated below) in the subject line. Unless requested, you will not otherwise receive a paper or email copy.



For complete information and to vote, visit www.ProxyVote.com

Control #

Smartphone users

Point your camera here and vote without entering a control number



Vote Virtually at the Meeting*

May 13, 2021
2:00 p.m., Local Time

Virtually at:
www.virtualshareholdermeeting.com/JSDA2021

*Please check the meeting materials for any special requirements for meeting attendance.

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**SCHEDULE H
JONES SODA EXECUTIVE COMPENSATION**

[See Attached.]

JONES SODA CO.
(the “Company”)

STATEMENT OF EXECUTIVE COMPENSATION

The following information is presented by the management of the Company in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*, and sets forth compensation for the year ended December 31, 2020.

GENERAL

“**CEO**” means each individual who acted as chief executive officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

“**CFO**” means each individual who acted as chief financial officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

“**Named Executive Officer**” or “**NEO**” means: (a) a CEO; (b) a CFO; (c) each of the Company’s three most highly compensated executive officers, including any of the Company’s subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than C\$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation*, for that financial year; and (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity at the end of the most recently completed financial year.

During the year ended December 31, 2020, the Company had four Named Executive Officers, namely Mark Murray, Jamie Colbourne, Eric Chastain, and Jennifer L Cue; and

“**SEC**” means the United States Securities and Exchange Commission

Compensation Discussion & Analysis

The compensation of the Company’s Named Executive Officers is determined by the Company’s Board of Directors (the “**Board**”) through the Compensation and Governance Committee of the Board (the “**Compensation Committee**”).

The Company’s compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive’s level of responsibility. In general, a NEO’s compensation is comprised of a salary/consulting fees and stock option grants. The objectives and reasons for this system of compensation are generally to allow the Company to remain competitive compared to its peers in attracting and retaining experienced personnel.

The Compensation Committee has not established a formal set of benchmarks or performance criteria to be met by NEOs; rather, the members of the Compensation Committee use their own assessments of the success (or otherwise) of the Company, both absolutely or in relation to companies they consider to be its peers, to determine, collectively, whether or not the executive officers are successfully achieving the Company business plan and strategy and whether they have over, or under, performed in that regard. The Compensation Committee has not established any set or formal formula for determining executive officer compensation, either as to the amount thereof or the specific mix of compensation elements.

The Board, with the assistance of the Compensation Committee has evaluated the risks arising from its compensation policies and practices for the Company’s employees and concluded that such risks are not reasonably likely to have a material adverse effect on the Company.

In this regard, the following factors, among others, were considered:

- Compensation is in line with the Company's business plan and discourages inappropriate risk-taking for short-term gains;
- Long-term incentive compensation is primarily in the form of stock options that generally vest over multiple year periods, thereby aligning the interests of management and other key employees with the long-term interests of the Company's shareholders;
- Annual cash bonuses are discretionary and are not governed by a fixed formula; and
- Sales commissions are not an element of the Company's compensation practices for its Named Executive Officers or other senior management.

Stock option grants are designed to reward the NEOs for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the NEOs.

The Compensation Committee, in its sole discretion, may retain compensation consultants, independent counsel, accounting and other professionals without seeking approval of the Board with respect to the selection, fees or retention terms for these advisors. The Compensation Committee did not retain a compensation consultant in 2020.

The Company has established a policy that prohibits the Company's directors, officers and employees from engaging in (i) short sales of shares of the Company's common stock, (ii) transactions in put options, call options, or other derivative securities involving such shares of the Company, and (iii) hedging or monetization transactions involving such shares of the Company that use financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. During the 2020 financial year ending December 31, 2020, the Company did not utilize any financial hedges

Compensation Governance

The Compensation Committee is comprised of Jeffrey Anderson (Chair), Michael Fleming, and Paul Norman. The Board has determined that, after consideration of all relevant factors, each of these directors qualifies as an "independent" and "non-employee" director under applicable NASDAQ and SEC rules and qualifies as an "outside director" pursuant to the United States Internal Revenue Code of 1986, as amended (the "**Code**") and the regulations promulgated thereunder. The Compensation Committee makes recommendations to the Board regarding the Company's general compensation policies as well as the compensation plans and specific compensation levels for its executive officers. The Compensation Committee held three meetings during 2020.

The Compensation Committee has a number of functions and responsibilities as delineated in its written charter, which is reviewed by the committee on an annual basis, and by the Board as appropriate. A current copy of the Compensation Committee charter is available on the Company's website at www.jonessoda.com under the Investor Relations tab under the heading "Corporate Governance."

The primary functions of the Compensation Committee are to (i) assist the Board with its responsibilities relating to compensation of the Company's CEO and other executives, employees and directors who are not employees of the Company, (ii) advise the Board in connection with the Company's retirement, welfare and other benefit plans, and (iii) develop, update, as necessary, and recommend to the Board corporate governance principles and policies applicable to the Company, and monitor compliance with such principles and policies. The Compensation Committee, when appropriate, may delegate authority to subcommittees and may delegate authority to one or more designated members of the committee, the Board or Company officers. Additionally, the Compensation Committee, in its sole discretion, may retain compensation consultants, independent counsel, accounting and other professionals without seeking approval of the Board with respect to the selection, fees or retention terms for these advisors. The Compensation Committee did not retain a compensation consultant in 2020.

Under its charter, the Compensation Committee establishes and annually reviews policies regarding executive compensation. With respect to the CEO, the Compensation Committee solicits input from the full Board and, based on that input, develops corporate goals and objectives relevant to the CEO's compensation, evaluates the CEO's performance in light of those goals and objectives and recommends to the Board of Directors the CEO's compensation based on this evaluation and other relevant information. For other executive officers, the CEO provides the Compensation Committee a performance assessment and recommendation regarding performance goals and compensation. The Compensation Committee reviews this information and the recommendations, as well as other relevant information, and recommends the compensation of these officers on an annual basis to the Board of Directors for approval. With respect to equity grants, the Compensation Committee has the authority, without Board approval, to approve all equity awards to employees and executive officers, although the Company's general practice is to obtain Board approval of equity awards.

The CEO reports to the Compensation Committee periodically on the results of the evaluations of the Company's executive officers (other than the CEO). In addition to the CEO's involvement in setting individual performance goals, conducting evaluations and making compensation recommendations for other executive officers, the Company's management team plays an active role in updating the Compensation Committee on the trends and challenges of hiring, retaining and competing for talent. The management team periodically suggests alternative forms of compensation or compensation strategies to assist the Compensation Committee in recommending to the Board compensation packages that will enable the Board to attract and retain key talent.

Under its charter, the Compensation Committee also reviews director compensation practices, including analysis of the Company's practice in comparison to other companies, and recommends to the Board revisions to the Company's director compensation program. In addition, the Compensation Committee develops, periodically reviews and recommends to the Board director and executive stock ownership guidelines, and provides oversight and recommendations to the Board regarding the Company's tax-qualified and nonqualified benefit plans. In addition, the Compensation Committee develops and recommends to the Board procedures for selection of the Chairperson of the Board, and helps develop an annual meeting calendar for the Board. The Compensation Committee recommends to the Board, as appropriate, the number, type, functions and structure and independence of the committees of the Board, and helps determine procedures for selection of the CEO and assists with the development and maintenance of a succession plan. The Compensation Committee also periodically reviews, in consultation with the Audit Committee, the Company's Code of Conduct and Code of Ethics, and consults with and supports the Audit Committee with respect to the establishment of (a) procedures for receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters; and (b) procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Compensation Committee also develops, reviews and recommends such other corporate governance policies and principles as it deems appropriate.

Option-based Awards

Stock option grants are made mostly on the basis of the number of anticipated contribution to the Company's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant.

The Board adopted the Company's 2011 Equity Incentive Plan (the "**2011 Plan**") in 2011, which has been subsequently ratified by the Company's shareholders. The 2011 Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. See disclosure under heading "Stock Option Plans and Other Incentive Plans". Management proposes share option grants to members of the Board based on such criteria as performance, previous grants, and hiring incentives.

Director and Named Executive Officer Compensation, Excluding Compensation Securities

The compensation paid to the NEOs and directors during the Company's two most recently completed financial years ended December 31, 2020 and 2019, excluding compensation securities, is as set out below and expressed in United States dollars unless otherwise noted:

Table of Compensation excluding Compensation Securities

Name and position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees (including annual retainer for non-employee directors)	Option Awards ⁽¹⁾	Value of all other compensation	Total compensation
Jennifer L Cue, <i>Former President and Chief Executive Officer</i>	2020	\$38,758	-	-	-	\$137,314 ⁽²⁾	\$176,072
	2019	\$112,475	-	-	-	\$7,800 ⁽²⁾	\$120,275
Eric Chastain, <i>Chief Operating Officer and Corporate Secretary</i>	2020	\$129,422	\$2,000	-	\$11,000	\$1,800 ⁽³⁾	\$144,222
	2019	\$116,134	-	-	-	\$1,800 ⁽³⁾	\$117,934
Jamie Colbourne, <i>Former Interim Chief Executive Officer and current director</i>	2020	-	-	\$2,583 ⁽⁴⁾	-	\$172,083 ⁽⁵⁾	\$174,667
	2019	-	-	-	-	-	-
Mark Murray, <i>President, Chief Executive Officer and director</i>	2020	\$85,417	-	-	\$82,500	\$75,400 ⁽⁶⁾	\$243,317
	2019	-	-	-	-	-	-
Jeffrey Anderson, <i>Director</i>	2020	-	-	\$31,000	-	\$25,000	\$56,000
	2019	-	-	\$15,170	-	\$15,000	\$30,170

Name and position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees (including annual retainer for non-employee directors)	Option Awards ⁽¹⁾	Value of all other compensation	Total compensation
Michael Fleming, <i>Director</i>	2020	-	-	\$35,083	\$25,000	-	\$60,083
	2019	-	-	\$17,451	\$15,000	-	\$32,451
Paul Norman, <i>Director</i>	2020	-	-	\$27,000	\$25,000	-	\$52,000
	2019	-	-	\$5,410	\$10,000	-	\$15,410
Clive Sirkin, <i>Director</i>	2020	-	-	\$28,000	\$25,000	-	\$53,000
	2019	-	-	\$5,410	\$10,000	-	\$15,410

Notes:

- (1) Represents the aggregate grant date fair value for awards granted, as applicable, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.
- (2) Ms. Cue resigned as the Company's Chief Executive Officer, President and Acting Principal Financial Officer on April 6, 2020, and transitioned to providing consulting services to the Company pursuant to a consulting agreement. "All Other Consideration" consisted of a car allowance and cell phone allowance for Ms. Cue in 2019 and 2020, as well as consulting payments made to Ms. Cue during 2020 pursuant to the consulting agreement between Ms. Cue and the Company.
- (3) Consisted of a car allowance and cell phone allowance for Mr. Chastain in 2019 and 2020.
- (4) For services as a non-employee director starting December 1, 2020.
- (5) Mr. Colbourne served as the Company's Interim Chief Executive Officer from April 6, 2020 through December 1, 2020 pursuant to a consulting agreement between the Company and Mr. Colbourne and as the Company's Acting Principal Financial Officer from April 6, 2020 through March 8, 2021. "All Other Consideration" consisted of consulting payments to Mr. Colbourne during 2020, including payments made pursuant to the consulting agreement between the Company and Mr. Colbourne.
- (6) Mr. Murray was appointed as the Company's President effective September 1, 2020 and as the Company's Chief Executive Officer as of December 1, 2020. "All Other Consideration" consisted of a car allowance and cell phone allowance for Mr. Murray in 2020, as well as consulting payments made to Mr. Murray during 2020 prior to his employment as the Company's President in September 2020.

Stock Options and Other Compensation Securities

The following table sets forth information in respect of all compensation securities granted or issued to each director and NEO by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly to the Company or its subsidiaries in the Company's most recently completed financial year ended December 31, 2020.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price	Closing price of security or underlying security on date of grant	Closing price of security or underlying security at year end	Expiry date
Jennifer L Cue, <i>Former President and Chief Executive Officer</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price	Closing price of security or underlying security on date of grant	Closing price of security or underlying security at year end	Expiry date
Eric Chastain, <i>Chief Operating Officer and Corporate Secretary</i>	Stock Options	50,000	March 26, 2020	\$0.22	\$0.22	\$0.2313	March 26, 2030
Jamie Colbourne, <i>Former Interim Chief Executive Officer and current director</i>	Stock options	11,870	December 2, 2020	\$0.18	\$0.1755	\$0.2313	December 2, 2030
Mark Murray, <i>President, Chief Executive Officer and director</i>	Stock options	500,000	November 3, 2020	\$0.17	\$0.1645	\$0.2313	100,000 – December 21, 2025 400,000 – March 6, 2028
Jeffrey Anderson, <i>Director</i>	Stock options	80,645	January 2, 2020	\$0.31	\$0.31	\$0.2313	January 1, 2030
Michael Fleming, <i>Director</i>	Stock options	80,645	January 2, 2020	\$0.31	\$0.31	\$0.2313	January 1, 2030

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price	Closing price of security or underlying security on date of grant	Closing price of security or underlying security at year end	Expiry date
Paul Norman, <i>Director</i>	Stock options	80,645	January 2, 2020	\$0.31	\$0.31	\$0.2313	January 1, 2030
Clive Sirkin, <i>Director</i>	Stock options	80,645	January 2, 2020	\$0.31	\$0.31	\$0.2313	January 1, 2030

Exercise of Compensation Securities by Directors and NEOs

No director or NEO exercised compensation securities during the Company's most recently completed financial year ended December 31, 2020.

Stock Option Plans and Other Incentive Plans

The Board has adopted the 2011 Plan, which has been subsequently ratified by the Company's shareholders. The purpose of the 2011 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies by providing them with the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's shareholders.

Plan Administration

The 2011 Plan is administered by the Board or the Compensation Committee (including a subcommittee thereof), which must be composed of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3(b)(3) under the United States Securities Exchange Act of 1934, as amended and an "outside director" within the meaning of Section 162(m) of the Code. The Board may delegate concurrent administration of the 2011 Plan to different committees consisting of two or more members of the Board or to one or more senior executive officers in accordance with the 2011 Plan's terms.

Eligibility of Plan Participants

Awards may be granted under the 2011 Plan to employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies selected by the Compensation Committee.

The Compensation Committee is authorized to select the individuals to be granted awards, the types of awards to be granted, the number of shares to be subject to awards, and the other terms, conditions and provisions of such awards, as well as to interpret and administer the 2011 Plan and any award or agreement entered into under the 2011 Plan.

Number of Shares Available for Issuance

The number of shares of the Company's common stock initially authorized for issuance under the 2011 Plan was 3,000,000 shares. The number of shares authorized under the 2011 Plan also may be increased each January 1st starting in 2012 by an amount equal to the least of (a) 1,300,000 shares, (b) 4.0% of the Company's outstanding common stock as of the end of the Company's immediately preceding fiscal year, and (c) a lesser amount determined by the Board, provided that the number of shares that may be granted pursuant to awards in a single year may not exceed 10% of the Company's outstanding shares of common stock on a fully diluted basis as of the end of the Company's immediately preceding fiscal year. The shares of the Company's common stock issuable under the 2011 Plan will consist of authorized and unissued shares. In 2012, an increase in common stock occurred in the amount of 1,284,032 shares, and 1,300,000 share increases occurred in each of the following years: 2013, 2014, 2015, 2016, 2017, and 2020, which resulted in the aggregate number of shares of common stock reserved for issuance under the 2011 Plan being equal to 12,084,032 as of March 18, 2021.

On September 30, 2021, the Board, upon the recommendation of the Compensation Committee, approved an amendment to the 2011 Plan to decrease the number of shares of common stock available for issuance pursuant to future awards under the 2011 Plan from 4,785,597 shares of common stock to 2,500,000 shares of common stock. As of such date, there were outstanding awards exercisable into an aggregate of 3,194,573 shares of common stock previously granted under the 2011 Plan; after such amendment, there is an aggregate of 5,694,573 shares of common stock reserved for issuance under the 2011 Plan.

Types of Awards

The 2011 Plan permits the granting of any or all of the following types of awards:

Stock Options. Stock options entitle the holder to purchase a specified number of shares of the Company's common stock at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The Compensation Committee may grant either incentive stock options, which must comply with Section 422 of the Code, or nonqualified stock options. The Compensation Committee sets exercise prices and terms, except that stock options must be granted with an exercise price not less than 100% of the fair market value of the common stock on the date of grant (excluding stock options granted in connection with assuming or substituting stock options in acquisition transactions). Unless the Compensation Committee determines otherwise, fair market value means, as of a given date, the closing price of the Company's common stock. At the time of grant, the Compensation Committee determines when stock options are exercisable and what the term of the stock options will be, except that the term cannot exceed ten years. If the stock option agreement does not provide otherwise, stock options will vest according to the schedule set forth in the 2011 Plan.

In the event of termination of service with the Company or a related company, a participant will be able to exercise his or her stock option for the period of time and on the terms and conditions determined by the Compensation Committee and stated in the stock option agreement.

If a participant dies after his or her termination of service but while the stock option is otherwise exercisable, the portion of the stock option that is vested and exercisable on the date of termination of services will generally expire upon the earlier of the stock option expiration date and the one-year anniversary of the date of death. If a participant is terminated for cause, all stock options will generally automatically expire upon notification to the participant of the termination.

Stock Appreciation Rights (SARs). The Compensation Committee may grant SARs as a right in tandem with the number of shares underlying stock options granted under the 2011 Plan or as a freestanding award. Upon exercise, SARs entitle the holder to receive payment per share in stock or cash, or in a combination of stock and cash, equal to the excess of the share's fair market value on the date of exercise over the grant price of the SAR. The grant price of a tandem SAR is equal to the exercise price of the related stock option and the grant price for a freestanding SAR is

determined by the Compensation Committee in accordance with the procedures described above for stock options. Exercise of an SAR issued in tandem with a stock option will reduce the number of shares underlying the related stock option to the extent of the SAR exercised. The term of a freestanding SAR cannot be more than ten years, and the term of a tandem SAR cannot exceed the term of the related stock option.

Stock Awards, Restricted Stock and Stock Units. The Compensation Committee may grant awards of shares of common stock or awards designated in units of common stock. These awards may be made subject to repurchase or forfeiture restrictions at the Compensation Committee's discretion. The restrictions may be based on continuous service with the Company or the achievement of specified performance criteria, as determined by the Compensation Committee. Stock units may be paid in stock or cash or a combination of stock and cash, as determined by the Compensation Committee.

Performance Awards. The Compensation Committee may grant performance awards in the form of performance shares or performance units. Performance shares are units valued by reference to a designated number of shares of common stock. Performance units are units valued by reference to a designated amount of property other than shares of common stock. Performance shares and performance units may be payable upon the attainment of performance criteria and other terms and conditions as established by the Compensation Committee. Performance awards may be payable in stock, cash or other property, or a combination thereof.

Other Stock or Cash-Based Awards. The Compensation Committee may grant other incentives payable in cash or in shares of common stock, subject to the terms of the 2011 Plan and any other terms and conditions determined by the Compensation Committee.

Award Limits

The maximum number of shares of common stock that may be granted subject to awards under the 2011 Plan (other than options or SARs) in a single calendar year may not exceed 500,000 shares.

No Repricing

Without shareholder approval, the Compensation Committee is not authorized to (a) lower the exercise or grant price of an option or SAR after it is granted, except in connection with certain adjustments to the Company's corporate or capital structure permitted by the 2011 Plan, such as stock splits, (b) cancel a stock option or SAR at a time when its exercise or grant price exceeds the fair market value of the underlying stock, in exchange for cash, another stock option or stock appreciation right, restricted stock or other equity award, unless the cancellation and exchange occur in connection with a merger, acquisition, spin-off or similar corporate transaction or (c) take any other action that is treated as a repricing under generally accepted accounting principles.

Term, Termination and Amendment

Unless earlier terminated by the Board or the Compensation Committee, the 2011 Plan will terminate, and no further awards may be granted on April 1, 2023. The Board or the Compensation Committee may amend, suspend or terminate the 2011 Plan at any time, except that, if required by applicable law, regulation or stock exchange rule, shareholder approval will be required for any amendment, and only the Board may amend the Plan if shareholder approval of the amendment is required. The amendment, suspension or termination of the 2011 Plan or the amendment of an outstanding award generally may not, without a participant's consent, materially adversely affect any rights under an outstanding award.

Employment, consulting and management agreements

Jamie Colbourn

Pursuant to a consulting agreement between the Company and Jamie Colbourne, dated April 1, 2020, Mr. Colbourne was entitled to receive a consulting fee of \$25,000 per month through June 30, 2020. This agreement was extended through December 31, 2020 until it terminated on December 1, 2020 when Mr. Murray was appointed as the Company's Chief Executive Officer. Mr. Colbourne's monthly consulting fee was reduced to \$10,000 during the

months of September 2020 through November 2020. Mr. Colbourne was appointed to the Board on December 1, 2020 and Chairman of the Board effective January 1, 2021.

Mark Murray

Mr. Murray was appointed as the Company's President effective September 1, 2020, and the Company and Mr. Murray entered into the Company's standard employment letter agreement pursuant to which Mr. Murray served as President at an annual salary of \$250,000. Effective December 1, 2020, we and Mr. Murray entered into an amended and restated employment letter agreement pursuant to which Mr. Murray serves as the Company's Chief Executive Officer and President at an annual salary of \$275,000. Mr. Murray is eligible to earn an additional \$100,000 for 2021 as a cash bonus pursuant to a bonus plan to be established by the Company's Compensation Committee and approved by the Company's Board of Directors, which bonus plan will be based on the Company's 2021 performance.

Jennifer Cue

Ms. Cue stepped down as the Company's Chief Executive Officer, President and Acting Principal Financial Officer effective April 6, 2020. On that date, Ms. Cue transitioned to a consulting role for the Company and remained on the Board until her resignation from the Board on March 7, 2021. Pursuant to the terms of a consulting and separation agreement between the Company and Ms. Cue dated April 6, 2020 (the "**Cue Consulting Agreement**"), she was entitled to receive a consulting fee of \$13,750 per month during the term of the Cue Consulting Agreement, which expired on April 5, 2021. In addition, the Company agreed to subsidize Ms. Cue's COBRA costs during the term of the Cue Consulting Agreement, up to an amount equal to the costs that we pay for other employees with similar benefit elections.

Pension Plan Benefits

The Company does not have any pension or retirement plan.

**SCHEDULE I
AUDIT COMMITTEE CHARTER**

[See Attached.]

AUDIT COMMITTEE CHARTER

Jones Soda Co. Audit Committee Charter

Purpose

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors of Jones Soda Co. (the “Company”) in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to shareholders and others, the systems of internal control which management and the Board of Directors have established, and the Company’s audit and financial reporting process.

The function of the Committee is to provide oversight; it is the responsibility of the Company’s management to maintain appropriate systems for accounting and internal control, and it is the responsibility of the Company’s independent auditors to plan and carry out a proper audit. The independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the Company’s shareholders. The Committee has the sole authority to select, evaluate, and, where appropriate, replace the independent auditors.

The Committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The Committee serves a Board-level oversight role in which it provides advice, counsel and direction to management and the independent auditors on the basis of information it receives, discussions with the accountants and the experience of the Committee’s members in business, financial and accounting matters. The Committee regularly reports to the Board on the Committee’s activities.

Committee Composition

Number and Appointment. The Committee shall be comprised of three or more directors, who shall be appointed annually and subject to removal at any time, by the Board of Directors.

Independence. Each Committee member shall meet the independence requirements set out by the rules of The Nasdaq Stock Market (“Nasdaq”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). No member of the Audit Committee shall receive any compensation from the Company other than his or her Directors’ fees, benefits and expense reimbursement.

Financial Literacy. Each Committee member shall be financially literate, having a basic understanding and knowledge about financial and auditing matters, financial controls and reporting, and must be able to read and understand financial statements. At least one Committee member shall also have accounting or related financial management expertise to qualify as a “financial expert” (as defined by the SEC and Nasdaq requirements).

Authority. The Committee shall have sole authority, without further Board approval, to appoint, determine funding for, and oversee the Company’s independent auditors. The Committee has the authority to investigate any activity of the Company within its scope of responsibilities, and shall have unrestricted access to members of management and all information relevant to its responsibilities. All employees are directed to cooperate as requested by members of the Committee. The Committee shall be provided the resources and authority necessary to discharge its duties and responsibilities and is empowered to retain persons having special competence as necessary, including engaging independent counsel or other advisors. The Committee is authorized to form and delegate authority to subcommittees as appropriate. The Committee shall perform all such other functions and activities as required by law or the Company’s bylaws or assigned to it by the Board of Directors.

Specific Responsibilities and Duties

To fulfill its responsibilities the Committee shall do the following, which is not intended to be an exhaustive list, and the Committee shall take such other action as it determines reasonable, necessary or appropriate to carry out the purposes of the Committee:

Relationship with Independent Auditors. The Committee shall bear primary responsibility for overseeing the Company’s relationship with its independent auditors. In carrying out this responsibility, the Committee shall:

- select, retain and terminate, if appropriate, the Company’s independent auditors;
- review the scope and extent of audit services to be provided and the audit planning and staffing, including the engagement letter, prior to the annual audit, and review and pre-approve all audit fees to be charged by the independent auditors;
- review the independent auditors’ annual written statement pursuant to Independence Standards Board Standard No. 1, outlining any relationships that may impact their independence or objectivity;

- review and pre-approve any additional or permitted non-audit services to be provided by the independent auditors;
- enable direct communication between the independent auditors and the Committee at all times, and instruct the independent auditors to report directly to the Committee any serious difficulties or disputes with management;
- review with management and the independent auditors the financial statements and disclosures to be included in the Company's annual or quarterly reports to be filed with the SEC prior to filing;
- obtain and review a report by the Company's independent auditors describing the independent auditor firm's internal quality-control procedures, review any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, and any steps taken to deal with any such issues, and (assess the auditors' independence) all relationships between the independent auditors and the Company;
- review the audit process with management and the independent auditors, upon completion of their annual audit, to discuss, identify or evaluate: (i) the cooperation received by the independent auditors from management, including access to all requested information; (ii) any instances where management has obtained "second opinions" from other external auditors; (iii) any disagreements with management that, if not satisfactorily resolved, would have caused the auditors to modify their report on the financial statements; (iv) management's comments regarding the audit; (v) any restrictions placed by management on the scope of the audit, and (vi) any other matters the Committee deems appropriate;
- inquire of management and the Company's independent auditors concerning any deficiencies or material weaknesses in the Company's policies and procedures that could adversely affect the adequacy of internal controls and the financial reporting process, review the timeliness and reasonableness of proposed corrective actions, and monitor such actions;
- discuss with the Company's independent auditors the results and findings of any PCAOB audits or other investigations with respect to such independent auditor firm, and the Committee may request the Company's independent auditors provide the Committee with a copy of any such findings;
- meet periodically with the independent auditors in private session (without the participation of management); and
- approve the Committee's report included in the proxy statement for the Company's annual meeting of shareholders, and such other reports as may from time to time be necessary or appropriate.

Financial Reporting Process. The Committee shall monitor the preparation by management of the Company's quarterly and annual external financial reports and quarterly earnings announcements. In carrying out this responsibility, the Committee shall:

- review periodically, with and without management, the Company's internal accountants and the independent auditors, the adequacy of the Company's accounting and financial personnel and any relevant recommendations concerning internal controls, accounting principles, critical accounting policies, significant judgments or estimates, other material written communications between the independent auditors and management, and accounting/reporting systems;
- review the effect of any important new pronouncements of the accounting profession and other regulatory bodies on the Company's accounting and reporting policies, and consider and approve, if appropriate, changes to the Company's accounting principles and practices;
- review the accounting and reporting treatment of any significant transactions outside the Company's ordinary operations including the existence of any off balance sheet transactions;
- discuss with the independent auditors any significant changes in auditing standards or their audit scope;
- review, investigate and act upon any concerns or complaints received by the Company regarding its accounting, internal control, or auditing matters; and
- review the internal accounting department's staffing, budget and responsibilities, and enable direct communication between the Committee and the Chief Financial Officer and any member of the internal accounting department at any time, as needed, to address concerns.

Internal Controls. Additionally, the Committee shall:

- review with the independent auditors and management the integrity of the Company's financial reporting processes (internal and external) and the internal controls over financial reporting and disclosure controls and procedures, including any identified significant deficiencies or material weaknesses and the planned remediation of those control deficiencies;
- consider whether any changes to the internal controls over financial reporting or disclosure controls and procedures are appropriate in light of management's assessment as to the effectiveness of internal controls over financial reporting and the independent auditor's report, if applicable; and
- review with management the internal controls to prevent and detect fraud on the part of management, employees or people external to the Company.

Legal Compliance and Risk Management. The Committee shall also:

- review the process for assessment of major financial risk exposure monitoring and control by management including areas of risk in the Company's internal and external environment;
- review the Company's Code of Ethics and Code of Conduct in consultation with the Compensation and Governance Committee, in accordance with the applicable rules of Nasdaq and the SEC and review with management the systems to monitor compliance with these standards and applicable legal requirements;
- review the process for the confidential and anonymous submission of complaints and concerns by Company employees, and ensure that any complaints received by the Company or the Committee regarding accounting, internal control or auditing matters are reviewed, investigated and acted upon;
- review periodically with management and the Board of Directors any legal and regulatory matters that may have a material impact on the Company's financial statements, compliance policies, and compliance programs;
- review with management the Company's systems to monitor compliance with applicable legal requirements;
- review and approve or ratify all significant related party transactions and potential conflict of interest situations;
- review, investigate and act upon any claims or instances of fraud with respect to the Company's financial records, financial reporting or accounting on the part of management, employees or people external to the significant cases of misconduct or fraud; and
- review any inquiries related to accounting or financial reporting matters received from the SEC or other agencies, and management's response thereto.

Meetings

The Committee shall meet at least four times per year, and may hold additional meetings as often as may be necessary or appropriate, in the discretion of the Chairperson of the Committee. The Chairperson of the Committee may communicate with the independent auditors to review the agenda and solicit input on any additional topics that should be covered. Meetings may be held in person or telephonically.

Attendance

Members of the Committee are expected to use all reasonable efforts to attend each meeting. As necessary or desirable, the Chairperson may request that members of management, the internal accounting department, or representatives of the independent auditors be present at meetings of the Committee.

Minutes

Minutes of each meeting shall be prepared under the direction of the Chairperson of the Committee and circulated to Committee members for review and approval. Copies are to be made available to the Company's independent auditors and lawyers upon request.

This Charter is intended to provide a set of guidelines for the effective functioning of the Committee. Accordingly, the Committee will periodically review and reassess the adequacy of this Charter. The Committee may modify or amend this Charter and the

authority and responsibilities of the Committee as necessary at any time. The Committee shall periodically perform an evaluation of the Committee's performance and make applicable recommendations for improvement.

Revised: March 4, 2013