

SIMPLY BETTER BRANDS CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(UNAUDITED)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of Simply Better Brands Corp. for the three months ended March 31, 2023 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in United States Dollars)

	As at	March 31,	December 31,
	Note(s)	2023	2022
		\$	\$
ASSETS			
Current assets			
Cash		5,740,717	2,343,178
Accounts receivable	3	5,623,800	4,616,267
Other receivable		157,048	134,500
Prepaid expenses	4	3,636,405	4,488,817
Inventory	5	2,243,776	3,554,563
		17,401,746	15,137,325
Non-current assets			
Restricted cash		325,000	325,000
Deposits		3,783	3,783
Equipment		11,875	11,875
Intangible assets	6	5,277,929	6,321,344
Goodwill		14,830,827	14,830,827
		20,449,414	21,492,829
TOTAL ASSETS		37,851,160	36,630,154
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	5,499,882	6,122,385
Deferred revenue		5,932	37,014
Derivative liability	12	295,810	175,122
Loan payable	8	14,287,114	14,634,180
Current portion of promissory note	10	1,669,807	1,793,119
Current portion of convertible notes	11	-	1,711,223
Warrant liabilities	9	2,185,432	-
		23,943,977	24,473,043
Non-current liabilities			
Promissory note	10	670,013	627,197
Convertible notes	11	416,140	389,080
		1,086,153	1,016,277
TOTAL LIABILITIES		25,030,130	25,489,320

See accompanying notes to these consolidated financial statements.

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in United States Dollars)

	As at	March 31,	December 31,
	Note(s)	2023	2022
		\$	\$
SHAREHOLDERS' EQUITY			
Share capital	13	51,082,103	45,411,501
Share subscription received	13	235,357	235,357
Additional paid-in capital		3,071,751	3,068,551
Reserves	13	2,126,486	3,436,447
Accumulated deficit		(42,142,815)	(39,570,086)
Accumulated other comprehensive income		12,010	11,749
Non-controlling interest	13	(1,563,862)	(1,452,685)
TOTAL SHAREHOLDERS' EQUITY		12,821,030	11,140,834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		37,851,160	36,630,154
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These unaudited condensed consolidated interim financial statements were approved for issue on May 30, 2023 by the Board of Directors and signed on its behalf by:

/s/ Michael Galloro Director

/s/ Paul Norman Director

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in United States Dollars)

	Note(s)	For the three months ended	
		March 31, 2023	March 31, 2022
		\$	\$
Revenue		24,625,979	12,080,307
Cost of goods sold		(10,773,795)	(4,078,717)
Gross profit		13,852,184	8,001,590
Expenses			
Amortization	6	1,043,415	226,689
Consulting fees		10,572	-
Customer service support		768,444	180,524
Depreciation		-	12,559
General and administrative expenses		325,038	412,187
Impairment of accounts receivable		17,020	-
Marketing expenses		10,650,527	6,961,838
Professional fees		274,789	600,438
Regulatory and filing fees		26,576	100,790
Salaries and wages		1,039,512	826,902
Share-based payments		654,414	1,108,544
Travel and entertainment		6,151	29,619
Total expenses		(14,816,458)	(10,460,090)
Loss before other income (expenses)		(964,274)	(2,458,500)
Other income (expenses)			
Acquisition-related costs		-	(371,227)
Fair value adjustment of derivative liability	12	(120,688)	-
Finance income		5,926	-
Finance costs	14	(699,824)	(299,071)
Foreign exchange loss		(35,038)	(37,961)
Loss on remeasurement of warrant liabilities	9	(870,008)	-
Total other income (expenses)		(1,719,632)	(708,259)
Net loss		(2,683,906)	(3,166,759)
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations		261	(1,497)
Loss and comprehensive loss		(2,683,645)	(3,168,256)
Loss and comprehensive loss attributable to:			
Equity holders of the parent		(2,572,468)	(2,509,128)
Non-controlling interests		(111,177)	(659,128)
Total		(2,683,645)	(3,168,256)
Basic and diluted loss per share for the period attributable to common shareholders (\$ per common share)		(0.05)	(0.12)
Weighted average number of common shares outstanding - basic and diluted		56,479,012	26,545,972

See accompanying notes to these consolidated financial statements.

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in United States Dollars)

	Note(s)	Share #	capital \$	Share subscription received \$	Additional paid-in capital \$	Reserves \$	Accumulated deficit \$	Accumulated other comprehensive income \$	TOTAL \$	Non- controlling interest \$	TOTAL \$
Balance as of December 31, 2022		42,488,379	45,411,501	235,357	3,068,551	3,436,447	(39,570,086)	11,749	12,593,519	(1,452,685)	11,140,834
Shares issued for cash - private placement	13	28,000,000	5,226,496	-	-	-	-	-	5,226,496	-	5,226,496
Shares issued for restricted share units	13	776,043	2,259,640	-	-	(2,259,640)	-	-	-	-	-
Share issue costs	13	-	(566,725)	-	-	335,700	-	-	(231,025)	-	(231,025)
Shares issued for debt settlement	13	148,925	29,380	-	-	-	-	-	29,380	-	29,380
Shares issued for earn out payments	13, 17	97,988	37,235	-	-	-	-	-	37,235	-	37,235
Reclassification of grant-date fair value on expired stock options	13	-	-	-	3,200	(3,200)	-	-	-	-	-
Reclassification of the grant-date fair value of warrant liabilities	9, 13	-	(1,315,424)	-	-	-	-	-	(1,315,424)	-	(1,315,424)
Share-based payments	13	-	-	-	-	617,179	-	-	617,179	-	617,179
Loss and comprehensive loss		-	-	-	-	-	(2,572,729)	261	(2,572,468)	(111,177)	(2,683,645)
Balance as of March 31, 2023		71,511,335	51,082,103	235,357	3,071,751	2,126,486	(42,142,815)	12,010	14,384,892	(1,563,862)	12,821,030
Balance as of December 31, 2021		26,066,432	23,121,479	-	85,495	3,413,209	(27,269,441)	(1,170)	(650,428)	(1,404,465)	(2,054,893)
Shares issued for acquisition	13	1,769,716	6,580,836	-	-	-	-	-	6,580,836	-	6,580,836
Share subscribed	13	-	-	250,000	-	-	-	-	250,000	-	250,000
Shares issued for conversion of convertible notes	11, 13	283,527	1,025,162	-	-	-	-	-	1,025,162	-	1,025,162
Shares issued for services	13	19,157	75,000	-	-	-	-	-	75,000	-	75,000
Reclassification of grant-date fair value on issue of shares for the restricted shares units	13	202,875	920,652	-	-	(920,652)	-	-	-	-	-
Share-based payments	13	-	-	-	-	1,108,544	-	-	1,108,544	-	1,108,544
Loss and comprehensive loss		-	-	-	-	-	(2,507,631)	(1,497)	(2,509,128)	(659,128)	(3,168,256)
Balance of March 31, 2022		28,341,707	31,723,129	250,000	85,495	3,601,101	(29,777,072)	(2,667)	5,879,986	(2,063,593)	3,816,393

See accompanying notes to these consolidated financial statements.

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in United States Dollars)

	Note(s)	For the three months ended	
		March 31, 2023	March 31, 2022
		\$	\$
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(2,683,906)	(3,166,759)
Accretion of interest of convertible notes	11	56,895	47,197
Accretion of interest of loan payable	8	370,334	114,684
Accretion of interest of promissory notes	10	61,751	134,593
Acquisition-related costs		-	371,227
Amortization	6	1,043,415	226,689
Depreciation		-	12,559
Fair value adjustment of derivative liability	12	120,688	-
Impairment of receivable		17,020	-
Loss on remeasurement of warrant liabilities	9	870,008	-
Share-based payments	13	654,414	1,108,544
Shares issued for services		-	75,000
Effects of currency exchange rate changes		294	-
Net changes in non-cash working capital items:			
Accounts receivable		(1,024,459)	(96,134)
Other receivable		(20,548)	(4,984)
Prepaid expenses		852,684	(1,756,093)
Inventory		1,310,951	858,396
Accounts payable and accrued liabilities		(609,080)	863,552
Deferred revenue		(31,082)	1,715,483
Cash flow provided by operating activities		989,379	503,954
INVESTING ACTIVITIES			
Cash assumed (paid) on acquisition, less transaction costs		-	467,709
Cash paid for the acquisition of The BRN Group Inc.		-	(70,443)
Cash flow provided by investing activities		-	397,266
FINANCING ACTIVITIES			
Lease payments		-	(14,132)
Proceeds on issuance of common shares, net of cash share issue costs	13	4,995,471	-
Proceeds on issuance of promissory notes	10	100,000	575,000
Proceeds on loan payable	8	5,350,000	910,000
Repayment of convertible notes	11	(1,725,650)	-
Repayment of loan payable	8	(6,070,292)	(1,215,285)
Repayment of promissory notes	10	(242,247)	(1,489,521)
Shares subscribed		-	250,000
Cash flow provided by (used in) financing activities		2,407,282	(983,938)
Effects of exchange rate changes on cash		878	(21,865)
Increase (decrease) in cash		3,397,539	(104,583)
Opening cash		2,343,178	2,234,993
Closing cash		5,740,717	2,130,410
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See accompanying notes to these consolidated financial statements.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Simply Better Brands Corp. (the “Company” or “SBBC”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 19, 2018 and changed its name from AF1 Capital Corp. to PureK Holdings Corp. on December 8, 2020 and from PureK Holdings Corp. to Simply Better Brands Corp. on May 3, 2021.

The Company is listed on the TSX Venture Exchange (the “Exchange”).

The Company is an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. The Company focuses on innovation in the plant-based, natural, and clean ingredient space. The Company also focuses on expansion into high-growth consumer product categories including CBD products, plant-based food and beverage, and the global pet care and skin care industries. The head office and the registered address of the Company are 206 – 595 Howe Street Vancouver, British Columbia V6C 2T5.

Going Concern

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. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern. Such adjustments could be material.

As of March 31, 2023, the Company had an accumulated deficit of \$42,142,815 (December 31, 2022 – \$39,570,086) and a working capital deficit of \$6,542,231 (December 31, 2022 – \$9,335,718). The Company incurred a net loss of \$2,683,906 during the three months March 31, 2023 (March 31, 2022 – \$3,166,759). These circumstances raise material uncertainties which may cast significant doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise adequate financing to meet its present and future commitments and to generate profitable operations in the future.

Financial Reporting and Disclosure during Economic Uncertainty

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine are affecting current economic conditions and increasing economic uncertainty, which may impact the Company’s operating performance, financial position and the Company’s ability to raise funds at this time.

The unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2023 were approved by the Board of Directors on May 30, 2023.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Basis of presentation

These unaudited condensed consolidated interim financial statements include the accounts of SBBC and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2023 that impacted these condensed consolidated interim financial statements.

3. ACCOUNTS RECEIVABLE

Following is the aging of the Company's account receivable as of March 31, 2023 and December 31, 2022:

	Total	Neither past due nor impaired	< 90 days	91 - 181 days	>180 days
	\$	\$	\$	\$	\$
March 31, 2023	5,623,800	5,393,878	170,181	59,741	-
December 31, 2022	4,616,267	3,990,603	552,522	73,142	-

As at March 31, 2023 and December 31, 2022, the majority of the accounts receivable were comprised of amounts from credit card processors for sales made to online customers and invoices for sales made to retail offline customers. The payments from credit card processors will be remitted to the Company within two business days. The balances as of March 31, 2023 and December 31, 2022 were remitted to the Company subsequent to March 31, 2023 and December 31, 2022, respectively.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

4. PREPAID EXPENSES

Prepaid expenses mainly consist of the deposits advanced to the vendors.

5. INVENTORY

Inventories are comprised substantially of packaged finished goods ready for sale. Cost of goods sold is comprised of the cost of inventory sold and any adjustments to reduce the inventory to net realizable value.

6. INTANGIBLE ASSETS

	Customer Base \$	Trademark \$	Website development costs \$	Total \$
COST				
As of December 31, 2022	1,902,000	8,380,858	323,400	10,606,258
As of March 31, 2023	1,902,000	8,380,858	323,400	10,606,258
ACCUMULATED AMORTIZATION				
As of December 31, 2022	(633,996)	(3,610,493)	(40,425)	(4,284,914)
Amortization	(158,499)	(844,491)	(40,425)	(1,043,415)
As of March 31, 2023	(792,495)	(4,454,984)	(80,850)	(5,328,329)
Net book value as of March 31, 2023	1,109,505	3,925,874	242,550	5,277,929

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023 \$	December 31, 2022 \$
Accounts payable	4,774,445	4,920,402
Direct deposit payable and credit card	465,890	431,612
Sales tax payable	259,547	770,371
	5,499,882	6,122,385

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

8. LOAN PAYABLE

Line of Credit Agreement

- **No B.S. Life, LLC ("No B.S.")**

	\$
As of December 31, 2022	-
Addition	100,000
Finance costs	1,590
As of March 31, 2023	101,590

During the three months ended March 31, 2023, the Company through its subsidiary No B.S. entered into a line of credit agreement (the "No B.S. Credit Facility") with a credit facility of \$655,000. The No B.S. Credit Facility bears an interest of 16% per annum calculated daily with no fixed payment term.

During the three months ended March 31, 2023, the Company withdrew \$100,000 (March 31, 2022 – \$275,000).

During the three months ended March 31, 2023, the Company recognized \$1,590 as finance costs (March 31, 2022 – \$5,305).

As of March 31, 2023, the outstanding balance of the No B.S. Credit Facility, including the accrued interest, was \$101,590 (December 31, 2021 – \$nil).

- **Tru Brands Inc. ("Tru Brands")**

The Company, through its subsidiary Tru Brands entered into two line of credit agreements with a credit facility of \$6,000,000 (the "TB Credit Facility #1") and \$700,000 (the "TB Credit Facility #2").

The TB Credit Facility #1 bears an interest of 15% per annum, calculated daily with no fixed payment term and secured against all assets of Tru Brands.

The TB Credit Facility #2 bears an interest of 14% per annum, calculated daily with no fixed payment term.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

8. LOAN PAYABLE (CONTINUED)**Line of Credit Agreement (continued)**• **Tru Brands Inc. (continued)****The TB Credit Facility #1**

	\$
As of December 31, 2022	3,909,772
Addition	5,250,000
Interest	159,080
Repayment	(5,485,000)
As of March 31, 2023	3,833,852

During the three months ended March 31, 2023, the Company withdrew \$5,250,000 (March 31, 2022 – \$250,000) and made a repayment of \$5,485,000 (March 31, 2022 – \$1,215,285).

During the three months ended March 31, 2023, the Company recognized \$159,080 as finance costs (March 31, 2022 – \$16,239).

As of March 31, 2023, the outstanding balance of the TB Credit Facility #1, including the accrued interest, was \$3,833,852 (December 31, 2022 – \$3,909,772).

The TB Credit Facility #2

	\$
As of December 31, 2022	409,568
Interest	2,892
Repayment	(412,460)
As of March 31, 2023	-

During the three months ended March 31, 2023, the Company made a repayment of \$412,460 (March 31, 2022 – \$nil).

During the three months ended March 31, 2023, the Company recognized \$2,892 as finance costs (March 31, 2022 – \$nil).

As of March 31, 2023, the outstanding balance of the TB Credit Facility #2, including the accrued interest, was \$nil (December 31, 2022 – \$409,568).

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

8. LOAN PAYABLE (CONTINUED)

Loan Agreements

- On December 11, 2020 (the “PKL Funding Date”), the Company through its subsidiary PureKana, LLC (“PureKana”) entered into a loan agreement (the “PK Loan”) with a financial institution with an amount of \$10,000,000 (the “PK Loan Amount”). The PK Loan is secured with all of the assets of the Company and guaranteed by the members of the Company. The PK Loan matures on December 11, 2025 (the “PKL Maturity Date”).

From and after the PKL Funding Date until and including the PKL Maturity Date, the PK Loan bears an interest rate of US\$ 3-month LIBOR determined as of the PKL Funding Date and as will adjust at each calendar quarter thereafter, plus 3.00% (the “FF Interest Rate”).

Pursuant to the PK Loan, the Company is required to set aside \$325,000 as interest reserve.

From the PKL Funding Date to December 11, 2021, interest on the outstanding PK Loan Amount will be capitalized to the PK Loan Amount (the “PKL Capitalized Interest”). Subsequently, any outstanding interest will be payable on the fifth day of each calendar quarter commencing January 5, 2022 (the “PKL Quarterly Payment”), and on the PKL Maturity Date.

The PK Loan Amount and PKL Capitalized Interest should be paid as follows:

- On December 11, 2023 – 15% of the PK Loan Amount and the PKL Capitalized Interest
- On December 11, 2024 – 15% of the PK Loan Amount and the PKL Capitalized Interest
- On December 11, 2025 – the remaining PK Loan Amount and the PKL Capitalized Interest

The PK Loan contains financial covenants stating that the debt service coverage ratio (the “Debt Service Coverage Ratio”) of the Company at the end of each calendar year from December 31, 2020 to the PKL Maturity Date should not be less than 1.20. As of March 31, 2023 and December 31, 2022, to the Company was not in compliance with the Debt service coverage ratio; as a result, the Company reclassified the PK Loan as current.

Pursuant to the PK Loan, the Debt Service Coverage Ratio is defined as the quotient of PureKana’s adjusted earnings before interest, taxes, depreciation, and amortization (the “Adjusted EBITDA”) for each reporting period divided by a ten-year amortization of the Loan which is the sum of the interest expense for the reporting period and the scheduled principal payments made with respect to the PK Loan Amount for the reporting period. The Adjusted EBITDA is defined as the unadjusted EBITDA adjusted for any non-recurring, one-time, or irregular items.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

8. LOAN PAYABLE (CONTINUED)

Loan Agreements (continued)

The changes of the PK Loan during the three months ended March 31, 2023 are as follows:

	\$
As of December 31, 2022	10,314,840
Interest	209,664
Repayment	(172,832)
As of March 31, 2023	10,351,672

During the three months ended March 31, 2023, the Company recognized \$209,664 as finance costs (March 31, 2022 – \$97,269).

During the three months ended March 31, 2023, the Company made a PKL Quarterly Payments with an amount of \$172,832 (March 31, 2022 – \$22,522).

As at March 31, 2023, the carrying value of the PK Loan is \$10,351,672 which is classified as current liability (December 31, 2022 – \$10,314,840).

9. WARRANT LIABILITIES

A reconciliation of the change in fair value of the warrant derivative is as follows:

	Number outstanding	Fair value of warrant derivative (\$)
As of December 31, 2022	-	-
Issued	14,000,000	1,315,424
Change in fair value	-	870,008
As of March 31, 2023	14,000,000	2,185,432

In connection with the private placement completed during the three months ended March 31, 2023, the Company issued 14,000,000 share purchase warrants (the “2023 Warrants”) (Note 13). Each whole warrant entitles its holder to purchase one additional common share at an exercise price of CA\$0.45 for a period of two years following the closing of the private placement.

Under IFRS 9 Financial Instruments and IAS 32 Financial Instruments: Presentation, warrants with an exercise price denominated in a currency that differs from an entity's functional currency are treated as a derivative measured at fair value with subsequent changes in fair value accounted for through profit and loss. As these warrants are exercised, the fair value at the date of exercise and the associated non-cash liability will be included in our share capital along with the proceeds from the exercise. If these warrants expire, the non-cash warrant liability is reversed through the consolidated statement of loss. There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the warrant derivative or when warrants expire unexercised.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

9. WARRANT LIABILITIES (CONTINUED)

The 2023 Warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company. The Company determined the fair value of the 2023 Warrants at the date of issuance (\$1,315,424) using the Black-Scholes option pricing model with the following assumptions:

- Stock price	CA\$0.40
- Risk free interest rate	4.27%
- Expected volatility	140%
- Expected life	2 years
- Forfeiture rate	nil
- Expected dividend	nil
- Exchange rate (CA\$ to US\$)	0.74

The fair value of the 2023 Warrants was revalued as of March 31, 2023 using the Black-Scholes option pricing model with the following assumptions:

- Stock price	CA\$0.45
- Risk free interest rate	3.78%
- Expected volatility	145%
- Expected life	1.9 years
- Forfeiture rate	nil
- Expected dividend	nil
- Exchange rate (CA\$ to US\$)	0.74

As a result of the revaluation, the Company recognized a loss on remeasurement of warrant liability of \$870,008 in the consolidated statements of loss and comprehensive loss during the three months ended March 31, 2023.

The following summarizes information about warrant derivative outstanding as of March 31, 2023:

Expiry date	Exercise price (CA\$)	Warrants outstanding	Fair Value of Warrant Derivative	Weighted average remaining contractual life (in years)
February 14, 2025	0.45	10,010,000	1,562,520	1.88
February 21, 2025	0.45	3,990,000	622,912	1.90
		14,000,000	2,185,432	1.89
Weighted average exercise price (\$)		0.45		

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

10. PROMISSORY NOTES

	\$
As of December 31, 2022	2,420,316
Addition	100,000
Interest	61,751
Repayment	(242,247)
As of March 31, 2023	2,339,820
Current	1,669,807
Long-term	670,013
As of March 31, 2023	2,339,820

During the three months ended March 31, 2023

- The Company partially repaid the assigned portion of the promissory notes issued by PureKana on December 4, 2020 (the “PK Promissory Notes”) with an amount of \$150,000.
- During the year ended December 31, 2022, the Company entered into a loan agreement with an amount of \$1,000,000 of which \$100,000 was received during the three months ended March 31, 2023. The loan bears 15% interest per annum and will be repaid over 42-months. In addition, the Company made a repayment of \$92,247.

During the three months ended March 31, 2022

- The Company issued a promissory note for cash proceeds of \$300,000. The promissory note bears interest at 12% per annum and matures on March 3, 2023.
- The Company partially repaid the promissory notes issued to PureKana founders on December 4, 2020 (the “PK Promissory Notes”) with an amount of \$1,489,521.

An interest expense of \$61,751 (March 31, 2022 – \$134,593) was recorded as finance costs with a corresponding increase in the carrying value of the liability.

As at March 31, 2023, the carrying value of the promissory notes is \$2,339,820 (December 31, 2022 – \$2,420,316) of which \$1,669,807 (December 31, 2022 – \$1,793,119) was classified as current liability.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

11. CONVERTIBLE NOTES

	\$
As of December 31, 2022	2,100,303
Interest	56,895
Repayment	(1,725,650)
Interest payable transferred to accounts payable and accrued liabilities	(15,702)
Effect of movements on exchange rates	294
As of March 31, 2023	416,140

During the three months ended March 31, 2023

- The Company repaid the convertible notes with a principal value of \$1,620,000 plus outstanding interest of \$105,650.
- The Company made an interest payment of \$15,690 which was initially recorded in accounts payable and accrual liabilities.

During the three months ended March 31, 2022

- Convertible notes with a principal value of \$1,021,850 including outstanding interest were converted into 283,527 common shares (Note 17); as a result of conversion, the Company reclassified the carrying value of the converted convertible notes of \$1,025,162 to share capital.

During the three months ended March 31, 2023, accretion expense of \$56,895 (March 31, 2022 – \$47,197) was recorded as finance cost with a corresponding increase in the carrying value of the convertible notes.

As of March 31, 2023 and December 31, 2022, the carrying value of the convertible notes was \$416,140 and \$2,100,303 of which \$416,140 and \$389,080 were classified as long-term liability, respectively.

12. DERIVATIVE LIABILITY

During the year ended December 31, 2022, the Company issued CA\$850,000 (\$661,950) 2-year 10% unsecured convertible notes. Interest is payable on each calendar-quarter-end date until maturity (the "Interest Due Date"). The Company determined that it had an obligation to the convertible notes' holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US\$ and CA\$ at the date of conversion. As a derivative liability, it should be re-measured at each reporting period.

As of March 31, 2023, the Company remeasured the fair value of the derivative liability using the Black-Scholes option pricing model, assuming a risk-free interest rate of 3.78%, an expected life of 1.36 years, an expected volatility of 170% and an expected dividend yield of 10%, which totaled \$295,810. The change in the fair value (\$120,688) of the derivative liability was recognized as a loss on remeasurement of derivative liability in the statements of loss and comprehensive loss during the three months ended March 31, 2023.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

13. SHARE CAPITAL

Authorized share capital

Unlimited number of series 1 preferred shares without par value.

Unlimited number of common shares without par value.

Escrow shares

In conjunction with the acquisition of the BRN Group Inc. during the year ended December 31, 2022, 409,243 common shares ("BRN Consideration Shares") have been placed in escrow, subject to release upon the satisfaction of certain conditions.

As of March 31, 2023, there were 409,243 common shares held in escrow (December 31, 2022 – 409,243).

Issued share capital.

As at March 31, 2023, the Company had 71,511,335 common shares⁽¹⁾ (December 31, 2022 – 42,488,379) common shares issued and outstanding.

(1) 409,243 common shares were placed in escrow.

During the three months ended March 31, 2023

- The Company completed a private placement of 28,000,000 units ("2023 Units") at a price of CA\$0.25 for gross proceeds of \$5,226,496 (CA\$7,000,000). Each 2023 Unit consists of one common share with a fair value of \$0.14 and one-half of one common share purchase warrant (\$0.47). Each whole warrant ("2023 Warrants") entitles its holder to purchase one additional common share at an exercise price of CA\$0.45 for a period of two years following the closing of the private placement. The 2023 Warrants were classified as a financial liability (Note 9).

In connection with the private placement, the Company paid a finders' fee of \$334,765 (CA\$449,400) and issued 1,797,600 non-transferable finders warrants with a fair value of \$335,700 and recorded these values as share issuance costs (collectively the "2023 Finders' Fees"). Each finder's warrant may be exercised to acquire one 2023 Unit at CA\$0.25 per 2023 Unit for 2 years.

Including the 2023 Finders' Fees, the Company incurred total share issuance costs of \$757,334 of which \$566,725 were allocated to share issue costs and \$190,609 were recognized as finance costs in consolidated statements of loss and comprehensive losses, based on the relative fair values of the common shares and the 2023 Warrants.

- Issued 148,925 common shares to settle \$29,380 payables which included in the accounts payable and accrued liabilities as of December 31, 2022.
- The Company issued 776,043 common shares with a fair value of \$2,259,640 for the restricted share unit.
- The Company issued 97,988 common shares with a fair value of \$37,235 pursuant to the Earnout Agreement (Note 21). This amount was recognized as share-based payments in the statements of loss and comprehensive loss.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in United States Dollars)

13. SHARE CAPITAL (CONTINUED)

During the three months ended March 31, 2022

- In connection to the acquisition of Hervé Edibles Limited (“Hervé”), the Company issued 1,705,755 common shares with fair value of \$6,342,974 (CA\$8,000,000) to acquire all of the issued and outstanding common shares of Hervé. In addition, the Company issued 63,961 common shares, which are subject to a statutory 4-month hold period, with fair value of \$237,862 (CA\$300,000) as finders’ fee.
- The Company issued 283,527 common shares for conversion of the convertible notes. As a result of the conversion, the Company reclassified the carrying value of the convertible notes (\$1,025,162) to share capital.
- The Company issued 202,875 common shares with a fair value of \$920,652 for the restricted share unit.
- The Company issued 19,157 common shares with a fair value of \$75,000 for advisory services.

Subsequent to March 31, 2023

- The Company issued 122,918 common shares pursuant to the Earnout Agreement (Note 17).

Equity Warrants

The changes in warrants during the three months ended March 31, 2023, are as follows:

	Number outstanding	Weighted average exercise price (\$)
As of December 31, 2022	500,000	0.55
Issued	1,797,600	0.25
As of March 31, 2023	2,297,600	0.32

The following summarizes information about warrants outstanding as at March 31, 2023:

Expiry date	Exercise price (CA\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
November 14, 2024	0.55	500,000	106,675	1.63
February 14, 2025 ⁽¹⁾	0.25	1,352,400	253,353	1.88
February 21, 2025 ⁽¹⁾	0.25	445,200	82,347	1.90
		2,297,600	442,375	1.83
Weighted average exercise price (\$)		0.32		

- (1) Each warrant entitles its holder to purchase one common share and one-half of one common share purchase warrant. Each whole Warrant entitles the holder to acquire one Common Share for a period of two years following the closing of the financing at an exercise price of \$0.45 per Common Share.

In addition to the outstanding warrants as of March 31, 2023, the outstanding convertible notes with a principal amount of CA\$850,000 are convertible at the election of the holder into one common share and a one-half common share purchase warrant for each common share exercisable at CA\$0.59 at a conversion price of CA\$0.39 per common share (Note 11).

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in United States Dollars)

13. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan")

To provide a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Company and its subsidiaries, the Company implemented an Incentive Plan which includes the stock options, Restricted Share Unit ("RSU") Plan and Deferred Share Unit (the "DSU"). The Incentive Plan is administered by the Board of Directors, which sets the terms of incentive awards under the Incentive Plan. The maximum number of common shares available for issuance under the Incentive Plan is limited to 10% of the Company's outstanding common shares at any one time.

Under the Incentive Plan, an option's maximum term is ten years from the grant date. Under the stock option plan, the Board has the option of determining vesting periods. Grants of RSUs and DSUs vest as to one-third on each of the first, second and third anniversaries of the date of grant, unless otherwise set by the Board or plan administrator.

The Incentive Plan was approved at the annual general and special meeting held on July 15, 2021.

- **Stock options**

The changes in stock options during the three months ended March 31, 2023, are as follows:

	Number outstanding	Weighted average exercise price (\$)
As of December 31, 2022	616,000	3.74
Granted	775,000	0.27
Cancelled	(1,000)	5.70
Forfeited	(2,000)	5.70
As of March 31, 2023	1,388,000	1.80

During the three months ended March 31, 2023

- On January 23, 2023, the Company granted 425,000 options with an exercise price of CA\$0.27 to the Company's CFO. The options are exercisable for a period of five years. One-fourth vest will vest every six months thereafter.
- On January 23, 2023, the Company granted 350,000 options with an exercise price of CA\$0.27 to its employees and consultants of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.
- 1,000 options cancelled and 2,000 options forfeited.

During the year ended December 31, 2022

- On February 23, 2022, the Company granted 15,000 options with an exercise price of CA\$4.70 to the consultant of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

(Expressed in United States Dollars)

13. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the “Incentive Plan”) (continued)

- **Stock options (continued)**

The estimated grant date fair value of the options granted during the three months ended March 31, 2023 was calculated using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	775,000
Risk-free interest rate	3.09%
Expected annual volatility	90%
Expected life (in years)	5
Expected dividend yield	-
Grant date fair value per option (CA\$)	0.19
Share price at grant date (CA\$)	0.27

During the three months ended March 31, 2023, the Company recognized share-based payments expense of \$108,141 (March 31, 2022 – \$634,234) arising from the stock options.

The following summarizes information about stock options outstanding and exercisable as at December 31, 2022:

Expiry date	Exercise price (CA\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
July 26, 2026	5.70	371,000	123,669	1,187,430	3.32
February 23, 2027	5.70	15,000	5,000	39,255	3.90
August 4, 2027	0.39	227,000	-	57,750	4.35
January 23, 2028	0.27	775,000	-	111,218	4.82
		1,388,000	128,669	1,395,653	4.33
Weighted average exercise price (\$)		1.80	5.70		

The weighted average remaining vesting period of the vested options is 3.35 years.

Simply Better Brands Corp.

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(Expressed in United States Dollars)

13. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **RSU**

The Incentive Plan permits the Company to either redeem RSUs for cash, issue common shares of the Company from treasury, or purchase common shares of the Company on the open market, to satisfy all or any portion of a vested RSU award.

During the three months ended March 31, 2023

- On January 23, 2023, the Company issued 925,000 RSUs with fair value of \$186,852 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- On March 20, 2023, the Company issued 150,000 RSUs with fair value of \$33,452 to the Company's director. One-fourth will vest every six months thereafter.
- The Company issued 776,043 common shares for the restricted share unit.
- 460 RSUs forfeited.

During the three months ended March 31, 2022

- On February 23, 2022, the Company issued the following RSUs:
 - o 24,370 RSUs with fair value of \$93,435 to its employees and consultants. One-third will vest every six months thereafter.
 - o 500,000 RSUs with fair value of \$1,917,000 to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.
 - o 285,000 RSUs with fair value of \$1,092,690 to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.
 - o 50,000 RSUs with fair value of \$191,700 to its director. All RSUs granted vest on the first anniversary.
- 8,310 RSUs forfeited.

During the three months ended March 31, 2022, the Company recognized share-based payments expense of \$509,038 (March 31, 2022 – \$474,310) arising from the RSUs.

As of March 31, 2023, the Company had 2,159,432 unvested RSUs (December 31, 2022 – 1,860,935) issued and outstanding.

- **DSU**

The Incentive Plan permits the Company to either redeem DSUs for cash or issue common shares of the Company from treasury, to satisfy all or any portion of a vested DSU award.

Simply Better Brands Corp.

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13. SHARE CAPITAL (CONTINUED)

Non-controlling interest ("NCI")

The Company includes three subsidiaries, PureKana, No B.S. Skincare and CMG, with NCI.

The ownership interest held by the NCI as of March 31, 2023 is as follows:

- Purekana 49.90% (December 31, 2022 – 49.90%);
- No B.S. Skincare 17.46% (December 31, 2022 – 17.46%); and
- Crisp Management Group Inc. ("CMG") 40.00% (December 31, 2022 – 40%).

The following schedule shows the effects of the changes in non-controlling interest during the three months ended March 31, 2023:

	\$
As of December 31, 2022	(1,452,685)
Share of loss	(111,177)
As of March 31, 2023	(1,563,862)

No dividends were paid to the NCI during the three months ended March 31, 2023.

Summarized financial information for the subsidiaries with NCI, before inter-company eliminations, is set out below:

PureKana

	As of:	March 31, 2023	December 31, 2022
		\$	\$
Current assets		7,492,206	8,282,079
Non-current assets		3,176,742	3,217,167
TOTAL ASSETS		10,668,948	11,499,246
Current liabilities		(12,204,276)	(12,851,396)
Non-current liabilities		-	-
TOTAL LIABILITIES		(12,204,276)	(12,851,396)
Equity attributable to owners of the parent		(769,199)	(677,427)
Non-controlling interests		(766,129)	(674,723)

Simply Better Brands Corp.

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13. SHARE CAPITAL (CONTINUED)**Non-controlling interest ("NCI") (continued)****PureKana (continued)**

	For the three months ended	March 31, 2023
		\$
Revenue		12,584,840
Net income (loss)		(183,178)
Income (loss) and comprehensive income (loss)		(183,178)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent		(91,772)
Non-controlling interests		(91,406)
Cash flow provided by (used in) operating activities		(202,901)
Cash flow provided by (used in) investing activities		-
Cash flow provided by (used in) financing activities		(172,832)
Net cash flow		(375,733)

No B.S. Skincare

	As of:	March 31, 2023	December 31, 2022
		\$	\$
Current assets		580,193	543,846
Non-current assets		2,249	2,249
TOTAL ASSETS		582,442	546,095
Current liabilities		(1,131,727)	(982,179)
Non-current liabilities		-	-
TOTAL LIABILITIES		(1,131,727)	(982,179)
Equity attributable to owners of the parent		(453,352)	(359,922)
Non-controlling interests		(95,933)	(76,162)

	For the three months ended	March 31, 2023
		\$
Revenue		318,700
Net income (loss)		(113,201)
Income (loss) and comprehensive income (loss)		(113,201)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent		(93,430)
Non-controlling interests		(19,771)
Cash flow provided by (used in) operating activities		(22,157)
Cash flow provided by (used in) investing activities		-
Cash flow provided by (used in) financing activities		100,000
Net cash flow		77,843

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in United States Dollars)

13. SHARE CAPITAL (CONTINUED)

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of the common shares issued and outstanding during the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

14. FINANCE COSTS

	For the three months ended	
	March 31, 2023	March 31, 2022
	\$	\$
Accretion of interest of convertible notes	56,895	47,197
Accretion of interest of lease obligation	-	1,018
Accretion of interest of loan payable	370,334	114,684
Accretion of interest of promissory notes	61,751	134,593
Share issuance costs	190,609	-
Others	20,235	1,579
	699,824	299,071

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Note(s)	For the three months ended	
		March 31, 2023	March 31, 2022
		\$	\$
Fair value of finders' warrants	13	335,700	-
Initial recognition of provision		-	499,871
Interest payable transferred to accounts payable and accrued liabilities	11	15,702	-
Reclassification of grant-date fair value on expired stock options	13	3,200	-
Reclassification of the grant-date fair value of warrant liabilities	13	1,315,424	-
Shares issued for acquisition		-	6,342,974
Shares issued for conversion of convertible notes		-	1,025,162
Shares issued for debt settlement	13	29,380	-
Shares issued for restricted share units	13	2,259,640	920,652
Cash paid for income taxes		172,832	-
Cash paid for interest		100,000	-

Simply Better Brands Corp.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2023

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16. RELATED PARTIES

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

During the year ended December 31, 2022, the key management compensation was:

- Salaries and benefits – \$180,295 (March 31, 2022 – \$223,146)
- Share-based payments – \$490,648 (March 31, 2022 – \$888,960)

In addition to the compensation above, the Company granted the following options and RSUs to the Company's officers and directors:

During the three months ended March 31, 2023

- 425,000 options with an exercise price of CA\$0.27 to the Company's CFO. The options are exercisable for a period of five years. One-fourth vest will vest every six months thereafter.
- 925,000 RSUs with a fair value of \$186,852 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- 150,000 RSUs with a fair value of \$33,452 to the Company's director. One-fourth will vest every six months thereafter.

During the three months ended March 31, 2022:

- 500,000 RSUs with fair value of \$1,917,000 to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.
- 285,000 RSUs with a fair value of \$1,092,690 to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.
- 50,000 RSUs with a fair value of \$191,700 to its director. All RSUs granted vest on the first anniversary.

The fair value of the options and RSUs will amortize over the vesting period.

17. COMMITMENTS

- On March 1, 2022, the Company through No B.S. entered into a brand ambassador agreement (the "Sponsorship Agreement") with Julianna, the mixed martial artist who won the UFC Women's Bantamweight Championship this past December and was named MMA Junkie's Female Fighter of the Year.

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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17. COMMITMENTS (CONTINUED)

Pursuant to the Sponsorship Agreement, Julianna agreed to act as a brand ambassador for No B.S., providing certain online posts, endorsements and social media content. In consideration for the services provided under the Sponsorship Agreement, No B.S. agreed to pay Julianna an engagement fee of \$100,000 (the "Engagement Fee"), a royalty fee equal to 10% of the gross revenues generated from sales achieved by No B.S. from certain sales, and a one-time bonus of \$25,000 in the event the campaign generates a minimum of \$500,000 in gross revenues. Each of these amounts is payable in common shares of the Company or cash, at the discretion of No B.S. and subject to approval of the Exchange. The Engagement Fee is payable in four equal installments, to be paid quarterly commencing on May 1, 2022. The other fees will be payable upon achievement of the associated sales targets. The number of common shares will be determined based on the higher of i) the 10-day VWAP of the common shares on the payment date and ii) the discounted market price as defined by the Exchange Policy 1.1.

- On January 25, 2023, the Company entered into a Branding Earnout Agreement (the "Earnout Agreement") with a group of individual rightsholders each of whom are at arm's length to the Company, to advance "Vibez", a new brand of Keto products in the direct-to-consumer market in the United States (the "Brand"). Pursuant to the Earnout Agreement, the Company has partnered with industry experts to advance the Brand.

Under the terms of the Earnout Agreement, the Company will make an initial payment of \$250,000 in common shares of the Company, at a price per share CA\$0.32. The Company may also make bi-monthly earnout payments in the amount of CA\$187,000, if the Brand achieves certain sales targets set out in the Earnout Agreement (the "Earnout Payments"). Sales in the Earnout Agreement related to the milestone payments over 24 months total \$14.98 million (approximately CA\$20 million). The Earnout Payments are payable in cash or common shares, at a price per common share equal to the higher of (i) the five-day VWAP of the common shares on the TSXV, or (ii) CA\$0.32. SBBC may issue up to a maximum of \$2,250,000 in cash or common shares, at the Company's discretion, over a 2-year period pursuant to the Earnout Payments.

During the three months ended March 31, 2023, the Company issued 97,988 common shares as Earnout Payments.

Subsequent to March 31, 2023, the Company issued 122,918 common shares as Earnout Payments.

18. CONTINGENCIES

Litigation

In the normal course of business, the Company may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. After consulting legal counsel, the Company does not believe any adverse judgments will have a material effect on the operations of the Company.

19. SEGMENTED INFORMATION

The Company operates in one reportable segment being the sale of consumer health and wellness products with sales principally generated from the United States. All of the Company's non-current assets are located in United States.

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19. SEGMENTED INFORMATION (CONTINUED)

During the three months ended March 31, 2023 and 2022, four and four vendors represented more than 75% of the Company's inventory purchases, respectively.

During the three months ended March 31, 2023, there was one customer which made up more than 10% of sales (March 31, 2022 – one customer).

20. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

The Company defines capital as being the total of shareholders' equity, loans and borrowings.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three months ended March 31, 2023. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 8. As of March 31, 2023, the Company the Company was not in compliance with these financial covenants.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

	March 31, 2023	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
FINANCIAL ASSETS				
ASSETS				
Cash	5,740,717	-	5,740,717	-
Accounts receivable	5,623,800	-	5,623,800	-
Other receivable	157,048	-	157,048	-
Restricted cash	325,000	-	325,000	-
Deposits	3,783	-	3,783	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(5,499,882)	-	(5,499,882)	-
Derivative liability	(295,810)	(295,810)	-	-
Loan payable	(14,287,114)	-	(14,287,114)	-
Current portion of promissory note	(1,669,807)	-	(1,669,807)	-
Warrant liabilities	(2,185,432)	(2,185,432)	-	-
Promissory note	(670,013)	-	(670,013)	-
Convertible notes	(416,140)	-	(416,140)	-

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Fair value (continued)**

	December 31, 2022	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
FINANCIAL ASSETS				
ASSETS				
Cash and cash equivalents	2,343,178	-	2,343,178	-
Accounts receivable	4,616,267	-	4,616,267	-
Other receivable	134,500	-	134,500	-
Restricted cash	325,000	-	325,000	-
Deposits	3,783	-	3,783	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,122,385)	-	(6,122,385)	-
Current portion of derivative liability	(175,122)	(175,122)	-	-
Current portion of loan payable	(14,634,180)	-	(14,634,180)	-
Current portion of promissory note	(1,793,119)	-	(1,793,119)	-
Current portion of convertible notes	(1,711,223)	-	(1,711,223)	-
Promissory note	(627,197)	-	(627,197)	-
Convertible notes	(389,080)	-	(389,080)	-

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable (supported by little or no market activity) prices.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets and liabilities at fair value through profit or loss as of December 31, 2022 are shown below:

	March 31, 2023	Estimated fair value		
		Level 1 \$	Level 2 \$	Level 3 \$
Current portion of derivative liability	(295,810)	-	-	(295,810)
Warrant liabilities	(2,185,432)	-	-	(2,185,432)

The financial instrument recorded at fair value on the statement of financial position is derivative liability and warrant liabilities which is measured using Level 3 of the fair value hierarchy. Level 3 inputs for other derivative liability include the use of the Black-Scholes option pricing model. Estimates are made regarding (i) the discount rate used, (ii) the expected life of the instruments, (iii) the volatility of the Company's common shares price which are driven by historical information and the expected dividend yield. Refer to Notes 9 and 12 for further disclosures.

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

As of March 31, 2023 and December 31, 2022, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1 and Level 2 in the fair value hierarchy above.

Financial risk management

The Company's activities expose to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of being affected by these risks. The Company uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. When material, these risks are also reviewed and monitored by the Board of Directors.

Market risk

- Foreign currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US\$. The Company has not entered into any foreign currency contracts to mitigate this risk. The risk is measured using sensitivity analysis and cash flow forecasting.

As of March 31, 2023, the majority of the Company's monetary assets and liabilities are denominated in US\$; as a result, management believes the currency risk is minimal.

The Company's derivative liability may expose to the currency risk as the Company's share is trading in CA\$. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% appreciation or depreciation of the US\$ against CA\$ would provide insignificant impacts on the fair value of the derivative liability.

- Price risk

The Company's derivative liability may be exposed to the price risk as the share price of the Company is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% increase (decrease) in the share price of the Company as of March 31, 2023 would provide insignificant impacts on the fair value of the derivative liability.

- Interest rate risk

The Company's interest rate risk principally arises from fluctuations in the US\$ LIBOR rate as it relates to the Company's loan payable. A 1% change in the US\$ LIBOR rate would result in approximately a \$100,000 impact on the Company's profit or loss for three months March 31, 2023. The Company has not entered into any interest rate swaps to mitigate this risk.

The Company's derivative liability may expose it to the interest as the risk-free interest rate is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 1% increase (decrease) in the risk-free interest rate would provide insignificant impacts on the fair value of the derivative liability.

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26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States and Canada financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

The Company's extension of credit to customers involves judgment and is based on an evaluation of each customer's financial condition and payment history. The Company's credit controls and processes cannot eliminate credit risk.

The Company accounts for credit risk by primarily allocating specific provisions to trade accounts. During the three months ended March 31, 2023, the Company transacted with a few new customers for which financial positions deteriorated during the year. The Company has recorded specific provisions related to these customers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of March 31, 2023, the Company had cash of \$5,740,717 to meet short-term business requirements. As of March 31, 2023, the Company had current liabilities of \$23,943,977 (Note 1 – Going Concern).