

**SIMPLY BETTER BRANDS CORP.**

**Management's Discussion and Analysis**

**June 30, 2022**

(Expressed in United States dollars unless otherwise specified)

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## Simply Better Brands Corp.

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#### INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Simply Better Brands Corp. (formerly PureK Holdings Corp.) ("SBBC", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto prepared in accordance with International Financial Reporting Standards ("IFRS") for the six months ended June 30, 2022. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and the notes relating thereto, for the six months ended June 30, 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and the annual management discussion and analysis for the year ended December 31, 2021 which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of August 29, 2022. All dollar amounts in this MD&A are expressed in thousands of United States dollars ("\$", "US\$" or "US dollar"), unless otherwise specified. Canadian dollars are referred to as "CA\$".

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### FORWARD LOOKING STATEMENTS

Certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking statements contained in this MD&A are based on certain assumptions and analysis by management of the Company ("Management") in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate. The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) the impact of the COVID-19 pandemic (ii) the regulatory climate in which the Company operates; (iii) the continued sales success of the Company's products; (iv) the continued success of sales and marketing activities; (v) there will be no significant delays in the development and commercialization of the Company's products; (vi) there will be no significant reduction in the availability of qualified and cost-effective human resources; (vii) new products will continue to be added to the Company's portfolio; (viii) demand for hemp-based wellness products will continue to grow in the foreseeable future; (ix) there will be no significant barriers to the acceptance of the Company's products in the market; (x) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; (x) there will be adequate liquidity available to the Company to carry out its operations; and (xi) products do not develop that would render the Company's current and future product offerings undesirable and the Company is otherwise able to minimize the impact of competition and keep pace with changing consumer preferences; and (xii) the Company will be able to successfully manage and integrate acquisitions, if any.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, the adverse impact of the COVID-19 pandemic to our operations, our supply chain, our distribution chain, and to the broader market for our products, revenue fluctuations, nature of government regulations (both domestic and foreign), economic conditions, loss of key customers, retention and availability of executive talent, competing products, the effectiveness of e-commerce marketing strategies, loss of proprietary information, product acceptance, internet and system infrastructure functionality, information technology security, cash available to fund

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operations, availability of capital and, international and political considerations, the successful integration of acquired businesses, if any, as well as the risks and uncertainties discussed under the heading "Risks and Uncertainties" in this MD&A. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

## COMPANY OVERVIEW

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" or "TSXV").

In connection with the name changes, on May 3, 2021, the Company's common shares commenced trading on the TSX under the symbol "SBBC". Prior to May 3, 2021, the Company's common shares traded on the TSX under the symbol "PKAN".

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 for the informed Millennial and Generation Z generations in the rapidly growing 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.

The Company operates in one reportable segment being the sale of consumer health and wellness products with sales principally generated from the United States. Hemp extracts are produced from Industrial Hemp, which is defined as the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% THC. The Company works closely with manufacturers who have the licenses required to manufacture CBD consumer products and e-commerce partners for the sale and distribution of its products. The Company also offers skin care consumer products through its subsidiary No BS Life LLC. ("No BS") and healthy bars through its subsidiary Tru Brands Inc..

Revenues from sale of SBBC's products were principally generated in the United States.

The Company offers a diverse range of Hemp derived products including CBD under the brand of PureKana, LLC ("PureKana"), a subsidiary of the Company, and other consumer products to its customers including ingestibles (tinctures, capsules and gummies) and topicals. The Company's primary source of revenue is from its PureKana brand, however it has recently been expanding its sales with other brands including Tru Brands ("Tru"), No BS, Herve Edibles Limited ("Herves") (see below) and BRN Inc. ("BRN") (see below).

The Company also offers high quality skin care products to consumers through its No BS brand. No BS was founded to provide consumers a clean and environmentally friendly alternative to the excesses of the beauty industry. No B.S. Skincare's products are made with potent, plant-based and scientifically proven ingredients and – unlike other skincare solutions – with absolutely no harmful chemicals like parabens, sulfates, or phthalates, and no synthetic fragrances. All of their products are responsibly made in America and are never tested on animals. The No BS product

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line includes, Caffeine Eye Cream and Retinol Night Cream, Charcoal Peel-Off Masks, Moisturizers, Serums, Toner, Cleanser, and Acne Patches.

Subsequent to the acquisition of Tru, the Company offers nutritious bars sold online and through major U.S. retailers, including Costco, Whole Foods, and Loblaws.

The Company has followed a tight operating model that efficiently generates sales while maintaining tight control over its expenses. The Company's operating model has focused on developing key strategic relationships with its product vendors to produce its products rather than a classic vertically integrated model that other competitors have followed. We have strategic partners in fulfillment, marketing, and customer service that have provided the Company with an ability to scale its business without significant need for capital investment. The Company has been able to quickly develop its revenues since its inception as result of its agile partnership model and below benchmark fixed costs.

As the Company acquires other brands into its portfolio, it will focus on integrating the operations of the acquired companies with its main business with a goal to reduce operating costs and market its product offerings across its brand portfolio either through e-commerce or through its retail channels.

- **Acquisition of Hervé Edibles Limited ("Hervé")**

On March 18, 2022, the Company completed an acquisition of Hervé. Pursuant to the share price agreement, the Company acquired all of the issued and outstanding common shares of Hervé for an aggregate purchase consideration of CA\$8,000,000, payable in the form of issuance of 1,705,755 common shares ("Hervé Consideration Shares") of the Company, to the shareholders Hervé, at a price per Hervé Consideration Share of CA\$4.69, calculated on the basis of the volume weighted average closing price of the Company's shares on the TSXV determined based on the 15 trading days immediately preceding the closing date.

In addition, CA\$1,000,000 of additional Hervé Consideration Shares may be issued upon the Company achieving specific sales revenue targets of Hervé products.

The Hervé Consideration Shares are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.

The Company paid a finder's fee of CA\$300,000, payable in the form of issuance of SBBC shares in relation to the acquisition to an arm's length third party. The shares issued pursuant to the finder's fee will be subject to a statutory 4-month hold period

- **Acquisition of The BRN Group Inc. ("BRN")**

On April 1, 2022, the Company completed an acquisition of BRN.

Pursuant to the terms of the acquisition, the Company acquired all of the issued and outstanding common shares of BRN in exchange for an aggregate of 2,729,763 common shares of the Company at a price of \$3.66 (CA\$4.69) per common share of the Company ("BRN Consideration Shares") for a total purchase price of \$10 million.

\$1.5 million of the BRN Consideration Shares have been placed in escrow, subject to release upon the satisfaction of certain conditions. The BRN Consideration Shares issued at the closing date are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.

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#### PROPOSED TRANSACTION

On April 21, 2022, The Company entered into a binding letter of intent (the "Jones LOI") with Jones Soda Co. ("Jones"). Pursuant to the Jones LOI, SBBC and Jones will complete an arm's length business combination by the acquisition by SBBC of all the issued and outstanding common shares of Jones (the "Jones Shares") at a deemed value of \$0.75 per Jones Share (the "Jones Transaction"), payable in full by the common shares of SBBC based on a price a deemed price of \$3.65 ("Jones Share Consideration"). In addition, SBBC will assume all outstanding debt of Jones and exchange any dilutive securities of Jones for materially similar securities of SBBC based on an implied ratio of 0.20548 of SBBC's share for each one Jones Share held, with the aggregate value being of the Jones Transaction being approximately \$98,902,257 on a fully-diluted basis. On June 7, 2022, The Company announced that, due to current market conditions, SBBC and Jones have terminated the previously announced letter of intent.

On April 25, 2022 the Company entered into a non-binding letter of intent ("LOI") to acquire CFH Limited ("CFH"), a seed-to-shelf CBD manufacturer. CFH is a vertically integrated with hemp fields, research & development, extraction and manufacturing with both a branded and white-label portfolio. Under the terms of the non-binding LOI, the Company will acquire all of the issued and outstanding common shares of CFH for \$14,320,000 payable in SBBC common shares ("SBBC Shares") valued at a price per share equal to the 10-trading day VWAP of SBBC Shares immediately prior to the closing date. The SBBC Shares issued will be subject to contractual lock-up and resale restrictions ranging from 4 to 24-months following closing. Closing of the transaction will be subject to, among other conditions, the completion and delivery to SBBC of annual audited financial statements of CFH, completion of satisfactory mutual due diligence investigations and certain other financial conditions of CFH to be met on or before the closing date. The transaction is an arm's length acquisition and no finder's fee or commission will be payable, nor will any long-term debt be assumed, by SBBC.

#### FACTORS AFFECTING THE COMPANY'S PERFORMANCE

The Company's performance and future success depends on a number of factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under the heading "Risk and Uncertainties".

##### The COVID-19 Pandemic

Since December 31, 2019, the outbreak of the novel strain of coronavirus, identified as COVID-19, has resulted in governments worldwide enacting measures to combat the spread of the virus, including in the United States. These measures, which include the implementation of travel restriction, self-isolation measures, and physical 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 deterioration of economic conditions to date has resulted in a surge in unemployment and may lead to a deterioration in consumer balance sheets, all of which may impact consumer spending behavior and could adversely affect the Company's financial performance.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the response measures as well as the evolution of a new variant of COVID-19 that is more contagious, has more severe effects or is resistant to treatments or vaccinations. It is impossible to forecast the duration and full scope of the economic impact of COVID-19 and its variant strains and other consequential changes it will have on the Company's business, operations and prospects, both in the short term and in the long term. See also "Risks and Uncertainties - Impacts of COVID-19 to the Company's Business" below.

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#### **Branding**

The Company believes that its brand image and awareness is built around consumer trust with a focus on quality. Maintaining and enhancing its brand image and increasing brand awareness in its current markets and in new markets where the Company had limited brand recognition is critical to its continued success.

Maintaining and enhancing the Company's brand image and increasing brand awareness may require the Company to make investments in areas such as marketing, product development, brand development, employee training and public relations, and may require the Company to incur other costs associated with continuing to expand e-commerce sales. These investments may be substantial, and the Company's efforts may not ultimately be successful. Failure to maintain and enhance the Company's brand in any of its key markets may materially and adversely affect the Company's business, results of operations or financial condition.

#### **Product Innovation and Planning**

The Company believes that product innovation is integral to its success and it continues to focus on innovation as a key pillar of growth. The Company's business is subject to changing consumer trends and preferences. The success of new product offerings depends upon a number of factors, including the Company's ability to: (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products in a timely manner; (iv) price products competitively; (v) deliver products in sufficient volumes and in a timely manner; and (vi) differentiate product offerings from those of competitors.

#### **Management and Growth of E-Commerce Sales**

Management and growth of the Company's e-commerce sales are essential to growth. The usability of and client experience provided by the Company's e-commerce platform is critical to the success and growth of its e-commerce sales. Any extended software disruption of the Company's e-commerce platform or the failure on the part of the Company to provide an attractive, effective, reliable, user friendly e-commerce platform that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of online customers could place the Company at a competitive disadvantage, result in the loss of revenue or harm the Company's reputation with customers and could have a material adverse effect on business and results of operations. The Company also depends on third-party service providers for its e-commerce platform and any service disruption on their part could affect customer ability to access the Company's website resulting in loss of revenue or harm to reputation.

The success of the Company's e-commerce sales is also dependent on the Company's ability to successfully manage the costs, difficulties and competitive pressures associated with shipping, including inventory management and distribution, banking and credit card processing, and compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions to which products are shipped, including laws governing the operating and marketing of e-commerce websites, as well as the collection, storage and use of information on consumers interacting with these websites. If the Company is unable to expand or update its e-commerce site commensurately with competitors, manage shipping and successfully respond to the risks inherent to e-commerce, the Company's financial position and results of operations may be negatively impacted.

Furthermore, if the Company is unable to successfully capitalize on digital marketing channels to drive client acquisition and retention, including search engine optimization, email marketing, improved product descriptions, data driven category naming, and the leveraging of social media, the Company's financial position and results of operations may be negatively impacted. Periodic changes to search engine algorithms, which retrieve data from search indices and deliver ranked search results, produce changes in search engine results pages (SERPs). Any changes to these algorithms and therefore search engine results pages could reduce visibility of, and traffic on, the Company's e-commerce website and negatively impact the Company's financial position and results of operations.

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#### Competition

The market for its consumer wellness products is highly competitive. The competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of geographic market coverage, vertical integration and products offered. With the Company's strong brand status and innovative products, Management believes the Company is well-positioned to capitalize on favorable long-term trends in the consumer wellness products segment.

#### Growth Strategies

The Company has a successful history of growing revenue and it believes it has a strong growth strategy aimed at meeting or exceeding industry growth rates. The Company's future depends, in part, on Management's ability to implement its growth strategy including (i) product innovations; (ii) management and growth of e-commerce sales; and (iii) growth in retail, wholesale and distributor partnerships and (iv) acquisitions of other brands related to its growth strategy. The ability of the Company to implement this growth strategy depends on, among other things, its ability to develop new products that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the market, and identify and successfully enter, and market products in new geographic areas and segments as well the ability to successfully navigate legislative and regulatory uncertainties. See "Risks and Uncertainties".

#### Regulation

The Company is subject to the local, state, and federal laws in the jurisdictions in which it operates. Outside of the United States, the Company's products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and the retail sale of hemp-derived products. The Agricultural Improvement Act of 2018 (the "2018 Farm Bill") became law on December 20, 2018. The 2018 Farm Bill removed hemp from the list of controlled substances under the Controlled Substances Act. The 2018 Farm Bill also redefined hemp to include its "derivatives, extracts, and cannabinoids", and accordingly removed popular hemp products, such as CBD from the purview of the U.S. Drug Enforcement Agency ("DEA"). Although the DEA no longer regulates hemp, the U.S. Food and Drug Administration ("FDA") retains its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts such as CBD. The FDA governs the regulations applicable to the Company as a vendor and marketer of hemp-derived products. These include regulations for nutrition and allergen labeling and label claim regulations; rules for submission of received serious adverse event reports; and safety requirements, including, as applicable, new dietary ingredient ("NDI") and generally recognized as safe ("GRAS") regulations. The FDA has stated its concerns over drug claims being made about products that contain CBD, as well as the agency's position that under the Food, Drug and Cosmetic Act ("FD&C Act") CBD cannot be marketed in a food or a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the "Prior Drug Exclusion"). The Company believes there are significant arguments against this position in that all conditions of the applicable statute must be met before the Prior Drug Exclusion applies. Importantly, there have been recent regulatory and legislative developments, described in more detail under the heading "Regulatory Framework" in the Company's filing statement dated November 20, 2020, which may provide a pathway for allowing hemp-derived compounds, such as CBD, in foods and dietary supplements. A copy of the filing statement may be viewed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).



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### **CORPORATE DEVELOPMENTS**

#### **Financing**

On March 18, 2022, the Company entered into a loan agreement with an amount of \$660,000 with BRN. The loan bears 5% interest per annum and matures on September 19, 2022. The Company subsequently acquired 100% of BRN on April 1<sup>st</sup> and assumed the loan.

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 through its subsidiary No BS issued a promissory note for cash proceeds of \$275,000. The promissory note bears interest at 16% per annum and matures on October 30, 2022.

#### **Announcement of a non-brokered private placement (the "2022 Offering")**

On February 10, 2022, the Company announced the "2022 Offering of up to 580,046 units of the Company (the "Units") at a price of CA\$4.31 per Unit for aggregate gross proceeds of up to CA\$2,500,000. Each Unit will consist of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "2022 Warrant"). Each 2022 Warrant will entitle the holder thereof to purchase one common share of the Company at a price of CA\$5.06 for a period of 24 months.

A \$250,000 subscription receipt was received, followed by the announcement of the 2022 Offering.

#### **Entered into an advisory agreement with Opensky Opportunities Fund Ltd. (the "Opensky")**

On March 2, 2022, the Company entered into a one-year advisory agreement (the "Opensky Agreement") with Opensky for business development services and branding and business development analysis and data consulting services (the "Advisory Services"). The Agreement contemplates payment to the Opensky of an aggregate amount of \$600,000 payable in four equal installments, to be paid quarterly commencing on May 26, 2022. Subject to the Exchange approval, the Advisory Services will be paid by the common shares of the Company. The number of common shares will be determined based on the higher of i) the 15-day VWAP of the common shares on the payment date and ii) the discounted market price as defined by the Exchange Policy 1.1. The Opensky Agreement may be renewed and/or extended for such period or periods and under such terms and conditions as may be mutually agreed to by the Company and Opensky.

#### **Entered into a sponsor agreement with Julianna Peña ("Julianna")**

On March 1, 2022, the Company through No BS 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.

Pursuant to the Sponsorship Agreement, Julianna agreed to act as a brand ambassador for No BS, providing certain online posts, endorsements and social media content. In consideration for the services provided under the Sponsorship Agreement, No BS 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 BS 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 BS 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

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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.

#### **Entry into Weight loss category with Keto Gummy product launch**

On May 19<sup>th</sup>, the Company announced its entry into the weight loss category with a PureKana Keto Gummy. According to Allied Market Research, the weight loss category currently exceeds \$192B with a 2021-2027 estimated CAGR of 7.1%. The grape-flavored gummy contains beta-hydroxybutyrate (BHB) salts and is available in both a 20 and 30 ct. offering. Per the National Institute of Health (NIH), "Supplementing with BHB salts may induce a state of temporary ketosis without any undesirable side effects, thereby promoting the benefits of ketosis and minimizing the adherence requirements to a ketogenic diet".

#### **Launch of No BS products in 3,200 CVS stores nationwide**

On June 8<sup>th</sup>, the Company announced that they were executing a comprehensive omnichannel strategy on their No B.S. Skincare ("No B.S.") brand by launching their Award Winning skincare line in 3,200 CVS stores nationwide beginning July 24<sup>th</sup>, 2022.

#### **Non-brokered private placement Common Shares**

On July 21, the Company announced its intention to complete a non-brokered private placement of common shares (the "Common Share Offering") of up to 11,016,949 Common Shares and a price of CA\$0.295 per Common Share, for aggregate gross proceeds of up to CA\$3,250,000. The Company further announced on July 25<sup>th</sup>, that it had completed the first tranche of this private placement and the Company issued a total of 4,718,203 common shares for aggregate proceeds of \$1,391,869.69 in this first tranche.

On August 17<sup>th</sup>, the Company further announced the closing of the second tranche of the common stock private placement and issued a total of 3,454,236 common shares for aggregate proceeds of CA\$1,018,999.62 in this second tranche.

On August 29<sup>th</sup>, the Company further closed the third tranche of the common stock private placement and issued a total of 2,474,490 common shares for aggregate proceeds of CA\$729,974.61 in this third tranche.

In total CA\$3,140,843.92 was raised in all three tranches of the non-brokered common stock private placement.

#### **Non-brokered private placement Convertible Debenture**

On July 21, the Company announced its intention to complete a non-brokered private placement of convertible debentures of up to CA\$9.1 million. The convertible debentures have an exercise price of CA\$0.39 per share. On July 26<sup>th</sup>, the Company announced that it was restructuring its convertible debenture non brokered private placement and was reducing the amount to be raised from CA\$9.1 million to CA\$ 2.0 million to reduce potential share dilution and eliminate the general security agreement associated with the original convertible debenture offering. The new offering is unsecured and has an interest rate of 10% from the original 8%. Under the new offering each Convertible Debenture holder will receive one-half common share purchase warrant for each Common Share exercisable at \$0.59.

On August 10<sup>th</sup>, the Company announced that it had closed the convertible debenture non brokered private placement offering with CA\$850,000 being placed. The total number of Common Shares to be issued under the Offering is 2,719,487. If all warrants are exercised, a total of 1,089,744 Common Shares would also be issued.

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On August 10, the Company also announced that the Company entered into a loan agreement with an amount of \$1,000,000. The loan bears 15% interest per annum and will be repaid over 42-months.

### Restricted Share Units (RSU's) Granted

On August 12<sup>th</sup> the Company announced that it had granted an aggregate of 900,000 restricted share units ("RSUs") to certain directors, officers and consultants of the Company under the Company's equity incentive plan. Each RSU entitles the recipient to receive one common share of the Company, or a cash payment equal to the equivalent for one common share of the Company, on vesting of such RSU over a two-year period. Vesting of the RSUs is subject to acceleration in certain events in accordance with policies of the TSX Venture Exchange.

The RSU grants are subject to all necessary regulatory approval.

### SUMMARY OF QUARTERLY RESULTS

<i>expressed in millions except for earnings (loss) per share</i>	Three months ended			
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	\$	\$	\$	\$
Revenue	16.9	12.1	6.5	3.5
Gross margin (in \$)	11.7	8.0	4.4	2.0
Gross margin (in %)	69%	66%	68%	57%
Net income (loss)	(2.8)	(3.3)	(4.2)	(6.4)
Earnings (loss) per share				
- Basic	(0.1)	(0.1)	(0.2)	(0.3)
- Diluted	(0.1)	(0.1)	(0.2)	(0.3)

<i>expressed in millions except for earnings (loss) per share</i>	Three months ended			
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
	\$	\$	\$	\$
Revenue	3.1	2.5	3.1	2.9
Gross margin (in \$)	1.8	1.5	2.1	1.8
Gross margin (in %)	58%	60%	68%	62%
Net income (loss)	(1.5)	(0.7)	(2.4)	(0.1)
Earnings (loss) per share				
- Basic	(0.1)	(0.0)	(3.3)	(0.8)
- Diluted	(0.1)	(0.0)	(3.3)	(0.8)

\* Net loss and net loss per share for the first 3 quarters of 2021 have been restated.

The net loss for the second quarter decreased by \$0.5 million over the loss in the first quarter of 2022 with higher revenues and higher gross profits generated in the second quarter of 2022 compared to the first quarter of 2022. Loss per share was \$0.09 in the second quarter of 2022. The net loss for the first quarter of 2022 decreased over the loss in the fourth quarter of 2021 as the primarily as the result of lower impairment charges in the first compared to the fourth quarter of 2021. Loss per share was \$0.10 in the first quarter of 2022.

The net loss in the fourth quarter of 2021 decreased over the loss in the third quarter. Loss per share was \$0.20 in the fourth quarter of 2021. The fourth quarter loss included impairment charges of \$2.5 million. The net loss in the third quarter of 2021 increased significantly driven by the \$4.5 million in stock-based compensation recognized. This increase in stock-based compensation is driven by the first grant awarded after the plan was approved at the Shareholders meeting in July 2021. Loss per share was \$0.30 in the third quarter of 2021. The net loss incurred for

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the second quarter of 2021 was mainly due to the increase in salaries and wages. Loss per share was \$0.10 in the second quarter of 2021. The net loss incurred for the first quarter of 2021 was mainly due to the decrease in revenue and the increase in salaries and wages. Loss per share was \$0.03 in the first quarter of 2021. The net loss incurred for the fourth quarter and third quarter of 2020 was mainly due to the listing expenses related to the Transaction. Loss per share was \$3.30 in the fourth quarter of 2020. In the fourth quarter of 2020, the Company also recognized a loss on remeasurement of derivative liability.

Revenue continued to be strong in the second quarter of 2022, increasing \$4.8 million over revenue in the first quarter of 2022. Revenue increased significantly in the first quarter of 2022 compared to the fourth quarter of 2021 driven by higher CBD sales at PureKana as well as bar sales at Tru. The Company has been able to maintain healthy gross margins during the eight quarters as it has one of the premium brands available in the US CBD marketplace.

## RESULTS OF OPERATIONS

<i>expressed in millions *</i>	For the three months ended				Change in	
	June 30, 2022		June 30, 2021		\$	%
	\$	%	\$	%		
REVENUE	16.9	100%	3.1	100%	13.8	445%
COST OF GOODS SOLD	(5.2)	-31%	(1.3)	-42%	(3.9)	300%
GROSS MARGIN	11.7	69%	1.8	58%	9.9	550%

<i>expressed in millions *</i>	For the six months ended				Change in	
	June 30, 2022		June 30, 2021		\$	%
	\$	%	\$	%		
REVENUE	29.0	100%	5.6	100%	23.4	418%
COST OF GOODS SOLD	(9.3)	-32%	(2.2)	-39%	(7.1)	323%
GROSS MARGIN	19.7	68%	3.4	61%	16.3	479%

### Second Quarter June 30, 2022 – Revenue

The Company's revenue is generated by one segment – consumer products and within that segment by three main subsidiaries, PureKana, Tru and No BS and other subsidiaries which do not generate material revenue currently. Revenue for the second quarter of 2022 was \$16.9 million, an increase of \$13.8 million or 445% growth compared to \$3.1 million in the second quarter of 2021. PureKana's second quarter revenue for the three months ended June 30, 2022, were \$13.8 million compared to \$2.7 million for the comparable period in 2021 (increase of \$11.1 million or 411%). PureKana's revenue increase was driven by growth of new customers as well from subscription revenues. No BS's second quarter revenue for the three months ended June 30, 2022, were \$0.8 million compared to \$0.5 million for the comparable period in 2021 (increase of \$0.3 million or 60%). Tru's second quarter revenue for the three months ended June 30, 2022, were \$2.0 million compared to nil for the comparable period in 2021 as Tru was acquired in August 2021. Tru's strong sales performance in the second quarter was driven primarily by orders from Costco in the US and from major retailers in Canada. Revenue from SBBC's other subsidiaries were \$0.3 million in the second quarter compared to nil in the prior period as these businesses were acquired during the first six months of 2022.

### Six Months ended June 30, 2022 – Revenue

The Company's revenue is generated by one segment – consumer products and within that segment by three main subsidiaries, PureKana, Tru and No BS and other subsidiaries which do not generate material revenue currently. Revenue for the six months ended June 30, 2022, was \$29.0 million, an increase of \$23.4 million or 418% increase compared to \$5.6 million in the second quarter of 2021. PureKana's revenue for the six months ended June 30, 2022, were \$23.1 million compared to \$5.0 million for the comparable period in 2021 (increase of \$18.1 million or

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362%). PureKana's revenue increase was driven by growth of new customers as well from subscription revenues. No BS's revenue for the six months ended June 30, 2022, were \$1.1 million compared to \$0.7 million for the comparable period in 2021 (increase of \$0.4 million or 57%). Tru's revenue for the six months ended June 30, 2022, were \$4.5 million compared to nil for the comparable period in 2021 as Tru was acquired in August 2021. Tru's strong sales performance in the second quarter was driven primarily by orders from Costco in the US and from major retailers in Canada. Revenue from SBBC's other subsidiaries were \$0.3 million for the six months to nil in the prior period as these businesses were acquired during the first six months of 2022.

#### **Second Quarter June 30, 2022 – Cost of goods sold**

Cost of goods sold includes the product cost from co-manufacturers, merchant processing fees, and fulfillment and delivery costs. Product costs may vary directly based on hemp's crop price and the CBD derivatives from the crops. Product costs for No BS and Tru products can also be impacted by price of raw materials. Merchant processing fees may be affected by the CBD industry's risk and customer data security and fraud. Fulfillment costs are mainly driven by the delivery costs with the main courier companies. SBBC's cost of sales actually decreased in the second quarter relative to the first quarter of 2022 by two percentage points despite a challenging supply chain environment with inflation. For example, finished goods costs with co-manufacturers have to date been decreasing with the higher order volumes the subsidiaries have been able to place driven by its higher sales. We have seen increases in logistics costs however these have been offset with lower finished product costs.

Cost of goods sold was \$5.2 million in the second quarter of 2022 (31% of revenues) compared to \$1.3 million (42% of revenues) in the comparable period.

#### **Six Months ended June 30, 2022 – Cost of goods sold**

Cost of goods sold includes the product cost from co-manufacturers, merchant processing fees, and fulfillment and delivery costs. Product costs may vary directly based on hemp's crop price and the CBD derivatives from the crops. Product costs for No BS and Tru products can also be impacted by price of raw materials. Merchant processing fees may be affected by the CBD industry's risk and customer data security and fraud. Fulfillment costs are mainly driven by the delivery costs with the main courier companies.

Cost of goods sold for the six month period ending June 30, 2022 was \$9.3 million (32% of revenues) compared to \$2.2 million (39% of revenues) in the comparable period.

#### **Second Quarter June 30, 2022 – Gross profit**

Gross profit for the second quarter of 2022 was \$11.7 million (69%) compared to \$1.8 million (58%) in the second quarter of 2021. The gross profit margin was up eleven percentage points in the second quarter of 2022 over the gross profit in the comparable period driven by lower product costs and higher average order values at PureKana LLC and No BS.

#### **Six Months ended June 30, 2022 – Gross profit**

Gross profit for the six-month period ending June 30, 2022, was \$19.7 million (68%) compared to \$3.4 million (61%) in the comparable period. The gross profit margin was up seven percentage points in the six-month period ending June 30, 2022 over the gross profit in the comparable period driven by lower product costs and higher average order values at PureKana LLC and No BS.

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#### Second Quarter June 30, 2022 – Operating expenses

Followings are the breakdown of the major operating expenses in the presented period:

<i>expressed in millions *</i>	For the three months ended				Change in	
	June 30, 2022		June 30, 2021		\$	%
	\$	%	\$	%	\$	%
Amortization expense	0.6	4%	0.2	7%	0.4	200%
Customer service support	0.8	6%	-	0%	0.8	100%
General and administrative expenses	0.5	4%	0.2	7%	0.3	150%
Marketing expense	8.2	61%	1.2	42%	7.0	583%
Professional fees	0.6	4%	0.3	10%	0.3	100%
Regulatory and filing fees	0.1	1%	0.1	3%	-	0%
Salaries and wages	1.1	8%	0.9	31%	0.2	22%
Share-based payment	1.6	12%	-	0%	1.6	100%
	<b>13.5</b>	<b>100%</b>	<b>2.9</b>	<b>100%</b>	<b>10.6</b>	<b>366%</b>

<i>expressed in millions *</i>	For the six months ended				Change in	
	June 30, 2022		June 30, 2021		\$	%
	\$	%	\$	%	\$	%
Amortization expense	0.8	3%	0.2	4%	0.6	300%
Customer service support	1.0	4%	0.1	2%	0.9	900%
General and administrative expenses	0.9	4%	0.4	8%	0.5	125%
Marketing expense	15.2	64%	2.1	42%	13.1	624%
Professional fees	1.2	5%	0.5	10%	0.7	140%
Regulatory and filing fees	0.2	1%	0.2	4%	-	0%
Salaries and wages	1.9	8%	1.6	32%	0.3	19%
Share-based payment	2.7	11%	-	0%	2.7	100%
Travel and entertainment	0.1	0%	-	0%	0.1	100%
Other items **	-	0%	(0.1)	-2%	0.1	-100%
	<b>24.0</b>	<b>100%</b>	<b>5.0</b>	<b>100%</b>	<b>19.0</b>	<b>379%</b>

\*Items in each presented period with a balance below \$0.1M are either combined as "Other Items" or excluded from the table above.

\*\*Other items including items with a balance below \$0.1M and rounding adjustment.

Operating costs for the second quarter of 2022 were \$13.5 million, an increase of \$10.6 million (or 366%), compared to \$2.9 million in the second quarter of 2021.

Most of the operating costs increase incurred in the second quarter of 2022 was related to marketing expenses (\$8.2 million for Q2 or 66% of \$10.6 million increase). PureKana accounted for most of the marketing expenses in the second quarter of 2022 (91%). An increase of share-based payments of \$1.6 million for Q2 accounted for 15% of the \$10.6 million increase, an increase in customer services expenses of \$0.8 million for Q2 accounted for 8% of the \$10.6 million increase and professional fees of \$ 0.6 million in Q2 accounted for 3% of the \$10.6 million increase. The increase in marketing in the second quarter of 2022 were related to the new marketing programs launched by PureKana which drove the significant increase in second quarter sales and gross margins. Share-based payments are related to the options and restricted share units granted. The increase in second quarter 2022 professional fees were driven by one-time legal fees related to the Jones Soda transaction (\$0.1 million) and increases in audit related fees (\$0.1 million) and increases in business consulting services (\$0.1 million).

Operating costs for the six months ended June 30, 2022, were \$24.0 million, an increase of \$19.0 million (or 379%), compared to \$5.0 million in the second quarter of 2021.

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Most of the operating costs increase incurred in the six months ended June 30, 2022, was related to marketing expenses (\$15.2 million for the 6 months ended June 30, 2022 or 69% of the \$19.0 million increase). PureKana accounted for most of the marketing expenses in the six months ended June 30, 2022 (92%). Share-based payments of \$2.7 million for the 6 months ended June 30, 2022 accounted for 14% of the \$19.0 million increase. Customer services expenses of \$1.0 million for the 6 months ended June 30, 2022 accounted for 5% of the \$19.0 million increase. Professional fees of \$1.2 million for the 6 months ended June 30, 2022 accounted for 4% of the \$19.0 million increase. The increase in marketing in the six months ended June 30, 2022, were related to the new marketing programs launched by PureKana which drove the significant increase in six months 2022 sales and gross margins. Share-based payments are related to the options and restricted share units granted. The increase in the six months ended June 30, 2022, professional fees were driven several one-time items including strategic consulting (\$0.2 million) and legal fees related to Jones Soda transaction (\$0.1 million), increases in business consulting (\$0.1 million) and increased audit related fees (\$0.3 million).

### Six Months Ended June 30, 2022 – Other income (expenses)

<i>expressed in millions *</i>	For the three months ended				Change in	
	June 30, 2022		June 30, 2021			
	\$	%	\$	%	\$	%
Acquisition-related costs	(0.1)	11%	-	0%	(0.1)	100%
Finance costs	(0.2)	22%	(0.6)	150%	0.4	-67%
Foreign exchange loss	(0.1)	11%	-	0%	(0.1)	100%
Gain (loss) on remeasurement of loan payable	(0.5)	56%	-	0%	(0.5)	100%
Fair value adjustment of derivative liability	-	0%	0.2	-50%	(0.2)	-100%
Other items **	(0.4)	44%	-	0%	(0.4)	100%
	<b>(0.9)</b>	<b>100%</b>	<b>(0.4)</b>	<b>100%</b>	<b>(0.5)</b>	<b>125%</b>

<i>expressed in millions *</i>	For the six months ended				Change in	
	June 30, 2022		June 30, 2021			
	\$	%	\$	%	\$	%
Acquisition-related costs	(0.5)	29%	-	0%	(0.5)	100%
Finance costs	(0.5)	29%	(1.2)	240%	0.7	-58%
Foreign exchange loss	(0.1)	6%	-	0%	(0.1)	100%
Gain (loss) on remeasurement of loan payable	(0.6)	36%	-	0%	(0.6)	100%
Fair value adjustment of derivative liability	-	0%	0.6	-120%	(0.6)	-100%
Grant and other assistance	0.4	-24%	-	0%	0.4	100%
Other items **	(0.4)	24%	0.1	-20%	(0.5)	-500%
	<b>(1.7)</b>	<b>100%</b>	<b>(0.5)</b>	<b>100%</b>	<b>(1.2)</b>	<b>240%</b>

\*Items in each presented period with a balance below \$0.1M are either combined as "Other Items" or excluded from the table above.

\*\*Other items including items with a balance below \$0.1M and rounding adjustment.

Other expenses for the second quarter 2022 was \$0.9 million compared to other expenses of \$0.4 million in the second quarter of 2021 or an increase of \$0.5 million. The components in the second quarter of 2022 for other expenses were acquisition-related costs in the amount of \$0.1 million, finance costs in the amount of \$0.2 million, loss on remeasurement of loan payment of \$0.5 million and impairment of prepaid expenses of \$0.4 million. Finance costs reduced by \$0.4 million in the second quarter of 2022 compared to the second quarter of 2021 primarily due to the conversion of preferred shares in the third quarter of 2021 into common shares and were no longer driving accretion of interest in the second quarter of 2022.

Other expenses for the six-month period ended June 30, 2022, was \$1.7 million compared to other expenses of \$0.5 million in the comparable period in 2021 or an increase of \$1.2 million. The components for the six-month period

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ended June 30, 2022 for other expenses were acquisition-related costs in the amount of \$0.5 million, finance costs in the amount of \$0.5 million, loss on remeasurement of loan payment of \$0.6 million and impairment of prepaid expenses of \$0.4 million. Finance costs reduced by \$0.7 million for the six-month period ended June 30, 2022, compared to the prior period of 2021 primarily due to the conversion of preferred shares in the third quarter of 2021 into common shares and were no longer driving accretion of interest in the first quarter of 2022.

### Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA (Non-GAAP Measures)

EBITDA and Adjusted EBITDA are non-GAAP measures used by management that are not defined by IFRS. EBITDA and Adjusted EBITDA do not have a standardized meaning prescribed by IFRS and therefore may not be Comparable to similar measures presented by other issuers. Management believes that EBITDA and Adjusted EBITDA provide meaningful and useful financial information as these measures demonstrate the operating performance of business excluding non-cash charges.

The most directly comparable measure to EBITDA and Adjusted EBITDA calculated in accordance with IFRS is net loss. The following table presents the EBITDA and Adjusted EBITDA for the three months and six months ended June 30, 2022, and 2021, and a reconciliation of same to net income (loss):

<i>expressed in millions *</i>	For the three months ended		Change in	
	June 30,	June 30,	\$	%
	2022	2021		
	\$	\$		
<b>Loss before income taxes</b>	<b>(2.8)</b>	<b>(1.5)</b>	<b>(1.3)</b>	<b>87%</b>
<b>Add (less):</b>				
Amortization expense	0.6	0.2	0.4	200%
Finance costs	0.2	0.6	(0.4)	-67%
<b>EBITDA</b>	<b>(2.0)</b>	<b>(0.7)</b>	<b>(1.3)</b>	<b>186%</b>
<b>Add (less):</b>				
Share-based payment	1.6	-	1.6	100%
Acquisition-related costs	0.1	-	0.1	100%
Foreign exchange loss	0.1	-	0.1	100%
Gain (loss) on remeasurement of loan payable	0.5	-	0.5	100%
Fair value adjustment of derivative liability	-	(0.2)	0.2	100%
Write-off of advance payments	0.4	-	0.4	100%
Shares issued for services	0.3	-	0.3	100%
<b>Adjusted EBITDA</b>	<b>0.7</b>	<b>(0.9)</b>	<b>1.6</b>	<b>180%</b>



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	For the six months ended		Change in	
	June 30, 2022	June 30, 2021	\$	%
<i>expressed in millions *</i>	\$	\$		
<b>Loss before income taxes</b>	<b>(6.0)</b>	<b>(2.2)</b>	<b>(3.8)</b>	<b>173%</b>
<b>Add (less):</b>				
<b>Amortization expense</b>	0.8	0.2	0.6	300%
<b>Finance costs</b>	0.5	1.2	(0.7)	58%
<b>EBITDA</b>	<b>(4.7)</b>	<b>(0.8)</b>	<b>(3.9)</b>	<b>488%</b>
<b>Add (less):</b>				
<b>Share-based payment</b>	2.7	-	2.7	100%
<b>Acquisition-related costs</b>	0.5	-	0.5	100%
<b>Foreign exchange loss</b>	0.1	-	0.1	100%
<b>Gain (loss) on remeasurement of loan payable</b>	0.6	-	0.6	100%
<b>Fair value adjustment of derivative liability</b>	-	(0.6)	0.6	100%
<b>Grant and other assistance</b>	(0.4)	-	(0.4)	100%
<b>Write-off of advance payments</b>	0.4	-	0.4	100%
<b>Shares issued for services</b>	0.4	-	0.4	100%
<b>Non-recurring expenses</b>	0.3	-	0.3	100%
<b>Adjusted EBITDA</b>	<b>(0.1)</b>	<b>(1.4)</b>	<b>1.3</b>	<b>93%</b>

The Company generated positive adjusted EBITDA of \$0.7 million for the three months ended June 30, 2022, an increase of \$1.6 million over the adjusted EBITDA loss for the comparable period in 2021. The positive Adjusted EBITDA of \$0.7 million incurred during the three months ended June 30, 2022, were due to (1) positive adjusted EBITDA generated by three of SBBC's subsidiaries PureKana (\$0.7 million positive adjusted EBITDA), Tru (\$0.5 million positive adjusted EBITDA) and No BS (\$0.04 million positive adjusted EBITDA) which were offset by (2) SBBC corporate (\$0.1 million adjusted EBITDA loss) and (3) \$0.4 million adjusted EBITDA losses by SBBC's other subsidiaries. PureKana's EBITDA performance in the second quarter reflects the impact of the subscriptions received during the second quarter driven by the large number of customers acquired during the first quarter. Tru had another strong quarter of generating positive adjusted EBITDA and No BS generated slightly positive adjusted EBITDA during the quarter driving by its higher sales. The Company has developed a plan to significantly reduce the negative adjusted EBITDA performance at its other subsidiaries as it integrates these businesses into its portfolio. The plan being implemented includes both cost reduction and sales expansion initiatives get these subsidiaries to positive adjusted EBITDA.

The Company lost adjusted EBITDA of \$0.1 million for the six months ended June 30, 2022, an increase of \$1.3 million over the adjusted EBITDA loss for the comparable period in 2021. The small, adjusted EBITDA loss of \$0.1 million incurred during the six months ended June 30, 2022, were due to (1) positive adjusted EBITDA generated by Tru (\$0.9 million) which was offset by PureKana (\$0.2 million adjusted EBITDA loss), No BS (\$0.1 million adjusted EBITDA loss) SBBC corporate (\$0.3 million adjusted EBITDA loss) and \$0.4 million adjusted EBITDA losses by SBBC's other subsidiaries. As discussed in the Q2 EBITDA analysis, three of SBBC's subsidiaries has positive adjusted EBITDA for the quarter. The Company has developed a plan to significantly reduce the negative adjusted EBITDA performance at its other subsidiaries as it integrates these businesses into its portfolio. The plan being implemented includes both cost reduction and sales expansion initiatives get these subsidiaries to positive adjusted EBITDA.

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#### LIQUIDITY AND CAPITAL RESOURCES

	As at	June 30, 2022	December 31, 2021
<i>expressed in millions *</i>		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		2.0	2.2
Accounts receivable		2.7	0.4
Other receivable		0.6	-
Prepaid expenses		1.9	2.1
Inventory		3.0	2.0
Other items **		0.1	-
<b>Total current assets</b>		<b>10.3</b>	<b>6.7</b>
<b>Non-current assets</b>		<b>26.9</b>	<b>15.1</b>
<b>TOTAL ASSETS</b>		<b>37.2</b>	<b>21.8</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		(3.7)	(2.1)
Deferred revenue		-	(0.1)
Loan payable		(11.7)	(11.6)
Current portion of promissory notes		(4.7)	(4.8)
Provision		(0.5)	-
Other items **		(2.8)	0.1
<b>Total current liabilities</b>		<b>(22.9)</b>	<b>(18.5)</b>
<b>Long term liabilities</b>		<b>(1.0)</b>	<b>(5.3)</b>
<b>TOTAL LIABILITIES</b>		<b>(23.9)</b>	<b>(23.8)</b>
<b>WORKING CAPITAL</b>		<b>(12.6)</b>	<b>(11.8)</b>

\*Items in each presented period with a balance below \$0.1M are either combined as "Other Items" or excluded from the table above.

\*\*Other items including items with a balance below \$0.1M and rounding adjustment.

The Company's working capital requirements fluctuate from period to period depending on, among other factors, key consumer holidays (second and first quarter each year), new product introductions and vendor lead times. The Company's principal working capital needs include accounts receivable, inventory, prepaid expenses, short term loans and accounts payable.

The Company's primary liquidity and capital requirements are for inventory and general corporate working capital purposes. The Company currently has a cash balance of \$2.0 million as of June 30, 2022, which will provide capital to support the planned growth of the business and for general corporate working capital purposes. The Company's working capital deficiency increased from \$11.8 million as of December 31, 2021, to a working capital deficiency of \$12.6 million as of June 30, 2022 (\$0.8 million increase). The biggest driver is the reclassification of the Mainstreet loan (\$10.8 million) as current from long term loans. The Mainstreet loan has a five-year term with principal repayments due to start in December 2023 with a \$1.5 million principal repayment. This loan has several covenants including annual and quarterly reporting and a debt service coverage. The Company was not compliant with the debt service covenant as of December 31, 2021. No notice of default has been received by the Company as of the date of this MD&A and has been paying the interest on a regular basis. It has been classified as current as a result.

The Company continues to focus on improving its working capital position through a number of initiatives including raising long-term debt/equity through a private placement to reduce short term debt obligations as well as

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negotiating better payment terms with key vendors, taking advantage of early payment options with its retail customers and negotiating lower costs with its key vendors. The Company also secured a \$2.5 million line of credit facility in October for the Tru subsidiary to support the financing of purchase orders from a key customer.

The Company commenced a private placement raise in July of 2022 and has raised as of the date of this MD&A CA\$3,990,844 (USD 3,069,880) in common shares and convertible debentures.

During the six months ended June 30, 2022, the Company,

- the Company announced a shares for debt agreement in the amount of \$480,000.
- the Company repaid \$1,254,521 of short-term promissory notes.
- Converted notes with a principal value of \$1,021,820 including outstanding interest into 283,527 common shares
- the Company repaid a working loan for one of its subsidiaries in the amount of \$395,000

**These initiatives have reduced debt by \$3,151,341 since December 31, 2021.**

Subsequent to the quarter end, the Company,

- the Company repaid promissory notes for a total of \$1,999,252
- the Company repaid convertible debenture notes with a face value of \$530,100

**These initiatives have reduced debt of \$2,529,352 subsequent to the quarter end.**

**These initiatives subsequent to the quarter plus the debt reduced during the six months ended June 30, 2022 have collectively reduced the short-term debt by \$5,680,693 since December 31, 2021.**

The Company's ability to fund operating expenses will depend on its future operating performance which will be affected by general economic, financial, regulatory, and other factors including factors beyond the Company's control (See "Risk and Uncertainties").

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of accounts receivable, other receivable, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities (iii) financing activities.

### Cash flow

	For the three months ended		Change
	June 30, 2022	June 30, 2021	
<i>expressed in millions *</i>	\$	\$	\$
Cash flow from operating activities	(2.9)	(2.0)	(0.9)
Cash flow used investing activities	3.3	-	3.3
Cash flow from (used in) financing activities	(0.4)	0.6	(1.0)
<b>Increase (decrease) in cash</b>	<b>-</b>	<b>(1.4)</b>	<b>1.4</b>

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the six months ended June 30, 2022

(Expressed in United States Dollars unless otherwise specified)

	For the six months ended		Change
	June 30, 2022	June 30, 2021	
<i>expressed in millions *</i>	\$	\$	\$
Cash flow from (used in) operating activities	(2.4)	(2.9)	0.5
Cash flow used in investing activities	3.7	(0.9)	4.6
Cash flow from (used in) financing activities	(1.4)	0.5	(1.9)
<b>Increase (decrease) in cash</b>	<b>(0.1)</b>	<b>(3.3)</b>	<b>3.2</b>

\*Items in each presented period with a balance below \$0.1M is presented as \$nil.

#### Second Quarter 2022 Cash flow from (used in) operating activities

Following is the breakdown of the cash flow from operating activities:

	For the three months ended		Change
	June 30, 2022	June 30, 2021	
<i>expressed in millions *</i>	\$	\$	\$
Net income (loss) for the period	(2.8)	(1.5)	(1.3)
Adjustments for items not affecting cash	3.8	0.6	3.2
Change in non-cash working capital	(3.9)	(1.1)	(2.8)
	<b>(2.9)</b>	<b>(2.0)</b>	<b>(0.9)</b>

	For the six months ended		Change
	June 30, 2022	June 30, 2021	
<i>expressed in millions *</i>	\$	\$	\$
Net income (loss) for the period	(6.0)	(2.2)	(3.8)
Adjustments for items not affecting cash	5.9	0.7	5.2
Change in non-cash working capital	(2.3)	(1.4)	(0.9)
	<b>(2.4)</b>	<b>(2.9)</b>	<b>0.5</b>

\*Items in each presented period with a balance below \$0.1M is presented as \$nil.

Cash used in operating activities was \$2.9 million in the second quarter of 2022, compared to cash outflow of \$2.0 in the second quarter of 2021 or an increase of \$0.9 million. This increase of \$0.9 million was the result of (1) an increase in cash generated in operating activities after adjusting for items not affecting cash of \$1.0 million during the second quarter of 2022 compared to \$0.9 million used in the prior period (\$1.9 million increase) and (2) cash used by non-cash working capital of \$3.9 million in the second quarter of 2022 compared to \$1.1 million used in the second quarter of 2021 (\$2.8 million increase).

Cash used in operating activities was \$2.4 million in the six months ended June 30, 2022, compared to cash outflow of \$2.9 in the comparable period in 2021 or a decrease of cash used in operations of \$0.5 million. This decrease in cashflow used in operations of \$0.5 million was the result of (1) a decrease in cash used in operating activities after adjusting for items not affecting cash of \$0.1 million during the six months ended June 30, 2022 compared to \$1.5 million used in the prior period (\$1.4 million decrease) and (2) an increase in cash used by non-cash working capital of \$2.3 million in the six months ended June 30, 2022 compared to \$1.4 million used in the comparable period of 2021 (\$0.9 million increase).

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#### Second Quarter 2022 Cash flow from (used in) investing activities

Cash from investing activities was \$3.3 million in the second quarter of 2022, compared to cash outflow of nil in the second quarter of 2021 or an increase of \$3.3 million. In connection with the acquisition of BRN, the Company assumed net cash of \$0.8 million and investments of \$1.9 million.

#### Second Quarter 2022 Cash flow from (used in) financing activities

Cash used in financing activities of \$0.4 million in the second quarter of 2022 was related to (1) the repayment of promissory notes and loans of \$1.2 million which was offset by (2) proceeds on the issuance of new promissory notes (\$0.9 million). In the second quarter of 2021, the Company generated financing from loans in the amount of \$0.6 million or a decrease in cash from financing of 1.0 million comparing the second quarter of 2022 to the second quarter of 2021.

#### Six months ended June 30, 2022, Cash flow from (used in) investing activities

Cash from investing activities was \$3.7 million for the six months ended June 30, 2022, compared to cash outflow of \$0.9 million in the comparable period in 2021 or an increase of \$4.6 million. In connection with the acquisition of BRN and Herve the Company assumed net cash of \$1.2 million and investments of \$1.9 million.

#### Six months ended June 30, 2022, Cash flow from (used in) financing activities

Cash used in financing activities of \$1.4 million for the six months ended June 30, 2022, was related to (1) the repayment of promissory notes and loans of \$3.9 million which was offset by (2) proceeds on the issuance of new loans under its credit line facilities (\$2.3 million). For the comparable period in 2021, the Company generated financing from loans in the amount of \$0.5 million or a decrease in cash from financing of \$1.9 million comparing the six months ended June 30, 2022, to the six months ended June 30, 2021.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 41,620,551 common shares issued and outstanding (December 31, 2021 – 26,066,432) of which 405,250 common shares were placed in escrow (December 31, 2021 – 5,160,468).

In addition, as at the date of this MD&A, the Company had 1,089,744 common share purchase warrants, 616,000 stock options and 1,860,935 RSUs issued and outstanding.

#### During the six months ended June 30, 2022

- 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 connection with the acquisition, 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 completed an acquisition of BRN and acquired all of the issued and outstanding common shares of BRN in exchange for an aggregate of 2,701,669 common shares of the Company with fair value of \$10,000,000 of which 405,250 common share with fair value of \$1,500,000 were placed in escrow. The BRN Consideration Shares issued at the closing date are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.
- The Company issued 283,527 common shares for conversion of the convertible notes.

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- The Company issued 140,351 common shares to satisfy the promissory note with a principal amount of \$480,000, including outstanding interest of \$26,702.
- The Company issued 202,875 common shares with fair value of \$920,652 for the restricted share unit.
- The Company issued 108,177 common shares with fair value of \$375,000 for advisory services.
- 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.
- On February 23, 2022, the Company issued the following RSUs:
  - 24,370 RSUs to its employees and consultants. One-third will vest every six months thereafter.
  - 500,000 RSUs to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.
  - 285,000 RSUs to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.
  - 50,000 RSUs to its director. All RSUs granted vest on the first anniversary.
- During the six months ended June 30, 2022, the Company entered into an agreement to cancel a total of 932,030 options previously granted to the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").
- 45,000 options and 8,310 RSUs forfeited.

#### **Subsequent to June 30, 2022**

- The Company completed a non-brokered private placement of 10,646,929 common shares for gross proceeds of CA\$3,140,844.
- The Company issued 106,125 common shares for the restricted share unit.
- The Company issued 1,089,744 common share purchase warrants with an exercise price in connection with the issuance of CA\$850,000 convertible notes.
- The Company granted 227,000 options with an exercise price of CA\$0.39 to its employees. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.
- The Company issued 900,000 RSUs with fair value of \$1,960,416 to its consultant, directors and officers. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

#### **SUBSEQUENT EVENTS**

- The Company entered into a loan agreement with an amount of \$1,000,000. The loan bears 15% interest per annum and will be repaid over 42-months.

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### Management's Discussion and Analysis

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- The Company repaid the convertible notes with a principal value of \$530,100 including outstanding interest of \$23,565.
- The Company issued CA\$850,000 2-year 10% unsecured convertible notes. Each convertible note also included a one-half common share purchase warrant for each common share exercisable at CA\$0.59. Interest is payable quarterly until the maturity date. Subject to the approval of the Exchange, the outstanding interest may be converted into common shares at the higher of (i) the 15-trading day VWAP on each such applicable payment date or (ii) the market price of the common shares. The convertible notes are convertible at the election of the holder into common shares at a conversion price of CA\$0.39 per common share. The Company may force the conversion of the convertible notes in the event the VWAP of the common shares on the Exchange is greater than CA\$1.00 for any five (5) consecutive trading days.
- The Company repaid \$2,914,344 for certain outstanding promissory notes including outstanding interest.
- The Company completed a non-brokered private placement of 10,646,929 common shares for gross proceeds of CA\$3,140,844.
- The Company issued 106,125 common shares for the restricted share units.
- The Company granted 227,000 options with an exercise price of CA\$0.39 to its employees. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.
- The Company issued 900,000 RSUs with fair value of \$1,960,416 to its consultant, directors and officers. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

#### OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2022 and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

#### TRANSACTIONS BETWEEN 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.

Key management compensation, including benefits, for the six months ended June 30, 2022 was \$372,346 (June 30, 2021 – \$441,358).

#### **During the six months ended June 30, 2022, the Company issued the following RSUs to its directors and officers:**

- 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 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 fair value of \$191,700 to its director. All RSUs granted vest on the first anniversary.

## Simply Better Brands Corp.

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#### CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Refer to note 2 of our annual audited consolidated financial statements for the year ended December 31, 2021 for a more detailed discussion of the critical accounting estimates and judgments.

#### CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no new or amended IFRS pronouncements effective January 1, 2022 that impacted these consolidated financial statements.

#### RESTATEMENT OF PRIOR PERIODS CONSOLIDATED FINANCIAL INFORMATION

##### Restatement of consolidated financial information for the six months ended June 30, 2021

During the year ended December 31, 2021, the Company revised the purchase price allocation regarding the acquisition of No B.S. Life, LLC. ("No B.S."); as a result of the revision, the Company restated the financial information for the six months ended June 30, 2021 to reflect the effect of the revision.

The following table summarizes the impact of the statements of loss and comprehensive loss for the six months ended June 30, 2021 and the statements of cash flow for the six months ended June 30, 2021:

##### *Effect on statements of loss and comprehensive loss*

	For the three months ended June 30, 2021		
	As previously presented	Change	As restated
	\$	\$	\$
Amortization expense	-	(151,126)	(151,126)
Finance costs	(979,079)	348,692	(630,387)
Gain (loss) on remeasurement of derivative liability	574,662	(361,012)	213,650
Loss for the period	(1,325,435)	(163,446)	(1,488,881)
Total comprehensive loss	(1,325,435)	(163,446)	(1,488,881)
			-
	For the six months ended June 30, 2021		
	As previously presented	Change	As restated
	\$	\$	\$
Amortization expense	-	(151,126)	(151,126)
Finance costs	(1,575,273)	386,175	(1,189,098)
Gain (loss) on remeasurement of derivative liability	1,110,587	(510,590)	599,997
Loss for the period	(1,890,503)	(275,541)	(2,166,044)
Total comprehensive loss	(1,890,503)	(275,541)	(2,166,044)



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#### Effect on statements of cash flows

	For the six months ended June 30, 2021		
	As previously presented	Change	As restated
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss for the period	(1,890,503)	(275,541)	(2,166,044)
Accretion of interest of convertible notes	286,861	(89,676)	197,185
Accretion of interest of promissory notes	206,684	5,232	211,916
Accretion of interest of provision of earn-out payments	407,323	(301,731)	105,592
Amortization expense	-	151,126	151,126
Fair value adjustment of derivative liability	(1,110,587)	510,590	(599,997)
Gain (loss) on remeasurement of derivative liability	-	-	-
Cash flow used in operating activities	(2,874,059)		(2,874,059)

There were no changes in cash flows provided by investing and financing activities.

#### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

##### Fair value

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

	June 30, 2022	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
<b>Financial assets:</b>				
<b>ASSETS</b>				
Cash	2,041,167	-	2,041,167	-
Accounts receivable	2,746,522	-	2,746,522	-
Other receivable	580,647	-	580,647	-
Restricted cash	325,000	-	325,000	-
Security deposits	12,299	-	12,299	-
<b>Financial liabilities:</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	3,741,751	-	3,741,751	-
Current portion of lease obligation	4,991	-	4,991	-
Current portion of promissory notes	4,736,273	-	4,736,273	-
Current portion of convertible notes	2,193,232	-	2,193,232	-
Loan payable	11,669,316	-	11,669,316	-
Provision	499,871	499,871	-	-

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	December 31, 2021 \$	FVTPL \$	Amortized costs \$	FVTOCI \$
<b>Financial assets:</b>				
<b>ASSETS</b>				
Cash	2,234,993	-	2,234,993	-
Accounts receivable	399,665	-	399,665	-
Other receivable	1,150	-	1,150	-
Restricted cash	325,000	-	325,000	-
Security deposits	12,299	-	12,299	-
<b>Financial liabilities:</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	2,083,359	-	2,083,359	-
Current portion of lease obligation	33,756	-	33,756	-
Current portion of promissory notes	4,752,059	-	4,752,059	-
Loan payable	11,558,676	-	11,558,676	-
Convertible notes	3,135,054	-	3,135,054	-
Promissory notes	1,182,484	-	1,182,484	-

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.

As of June 30, 2022 and December 31, 2021, 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, Level 2 and Level 3 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 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.

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As of June 30, 2022, 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.

- **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 six months ended June 30, 2022. The Company has not entered into any interest rate swaps to mitigate this risk.

#### **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 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.

#### **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 June 30, 2022, the Company had cash of \$2,041,167 to meet short-term business requirements. As of June 30, 2022, the Company had current liabilities of \$22,887,782 (Note 1 – Going Concern).

## **DISCLOSURE CONTROLS AND PROCEDURES**

Management of the Corporation has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

Pursuant to National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed Venture Issuer Basic Certificates with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2022 and this accompanying MD&A (together, the "Interim Filings"). In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the Venture Issuer Basic Certificates. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis disclosure controls and procedures and internal control over financial reporting, as such

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terms are defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### REVIEWED BY MANAGEMENT

This MD&A and the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2022 (the "Filings") had been reviewed by the Company Executive Officer ("CEO") and Chief Financial Officer ("CFO") and certified the followings:

**No misrepresentations:** Based on CEO's and CFO's knowledge, having exercised reasonable diligence, the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the Filings.

**Fair presentation:** Based on CEO's and CFO's knowledge, having exercised reasonable diligence, the financial report together with the other financial information included in Filings fairly presented in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

#### RISKS AND UNCERTAINTIES

To the date of this MD&A, there have been no significant changes to the risk factors set out in the Company's annual management discussion and analysis for the year ended December 31, 2021.