

**SIMPLY BETTER BRANDS CORP.**

**Management's Discussion and Analysis**

**September 30, 2023**

(Expressed in United States dollars unless otherwise specified)

## Table of Contents

INTRODUCTION .....	3
FORWARD LOOKING STATEMENTS .....	3
COMPANY OVERVIEW.....	4
FACTORS AFFECTING THE COMPANY'S PERFORMANCE.....	5
CORPORATE DEVELOPMENTS.....	9
SUMMARY OF QUARTERLY RESULTS.....	11
RESULTS OF OPERATIONS .....	12
LIQUIDITY AND CAPITAL RESOURCES .....	21
OUTSTANDING SHARE DATA .....	24
OFF-BALANCE SHEET ARRANGEMENTS.....	25
TRANSACTIONS BETWEEN RELATED PARTIES .....	26
CRITICAL ACCOUNTING ESTIMATES.....	26
CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION .....	26
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS .....	27
DISCLOSURE CONTROLS AND PROCEDURES .....	29
REVIEWED BY MANAGEMENT .....	30
RISKS AND UNCERTAINTIES .....	30
ADDITIONAL INFORMATION.....	30

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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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 year ended December 31, 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 nine months ended September 30, 2023, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and the annual management discussion and analysis for the year ended December 31, 2022 which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of November 29, 2023. 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

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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acceptance, internet and system infrastructure functionality, information technology security, cash available to fund 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 offers a diverse range of Hemp derived products including CBD under the brands of Purekana, Seventh Sense and Vibez. These CBD and Hemp derived products through two subsidiaries -Purekana LLC and BRN Brands Group Inc. 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 offers better for you protein bars under the subsidiary Tru Brands Inc. Through TRU Brands Inc. the Company offers nutritious bars sold online in both the US and Canada and through major U.S. and Canadian retailers, including Costco, Whole Foods, Loblaws and Shoppers Drug Mart.

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.

## **Simply Better Brands Corp.**

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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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 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 retail channels.

#### **FACTORS AFFECTING THE COMPANY'S PERFORMANCE**

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

#### **Financial Reporting and Disclosure during Economic Uncertainty**

The ongoing 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.

#### **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. It continues to focus on innovation as it is 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 within reasonable time; and (vi) differentiate product offerings from 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 is critical to the success and growth of its e-commerce sales. Any extended software disruption or failure 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

## **Simply Better Brands Corp.**

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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could place the Company at a competitive disadvantage. It could result in the loss of revenue or harm the Company's reputation with customers and have a material adverse effect on business. 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 depends on the Company's ability to successfully manage the costs, difficulties, and competitive pressures associated with shipping, inventory management, distribution, banking, 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.

#### **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. 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, brand recognition, improve competitive position, successfully enter 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.

PureKana and the Redemption Group sell only Hemp-based products, including products with CBD, products with delta-8 tetrahydrocannabinol, products with delta-9 tetrahydrocannabinol, and products with other cannabinoids, such as hexahydrocannabinol (HHC) and tetrahydrocannabiphorol (THC-P). It does not produce or sell medicinal or recreational marijuana as distinct from hemp derived products. While both Hemp and marijuana come from the

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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same plant genus and species, *Cannabis sativa* L., Hemp and marijuana are legally distinct and are generally regulated, respectively, by separate overarching bodies of law, namely the 2018 Farm Bill and the CSA. Pursuant to the 2018 Farm Bill, Hemp 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 percent on a dry weight basis ("Hemp"). Consistent with the legal definition, Hemp contains insufficient levels of THC to create a psychoactive effect as compared to marijuana.

The 2018 Farm Bill permanently removed Hemp from the purview of the CSA. Hemp is now deemed a legal agricultural commodity and is no longer classified as a controlled substance. Accordingly, the U.S. Drug Enforcement Administration (the "DEA") no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the THC level is no more than 0.3% on a dry weight basis.

The DEA has taken the position that "the statutory definition of 'hemp' is limited to materials that are derived from the plant *Cannabis sativa* L. For synthetically derived tetrahydrocannabinols, the concentration of  $\Delta$ 9-THC is not a determining factor in whether the material is a controlled substance. All synthetically derived tetrahydrocannabinols remain schedule I controlled substances."<sup>1</sup> While Delta-8 THC appears on the DEA's Orange Book of controlled substances<sup>2</sup>, the DEA clarified in a letter to the Alabama Board of Pharmacy that naturally occurring Delta-8 is lawful, and Delta-8 synthetically produced from non-cannabis materials is not<sup>3</sup>. While there are various methods used to manufacture Hemp-based products, the U.S. Court of Appeals for the Ninth Circuit explained that the 2018 Farm Bill's "definition of hemp does not limit its application according to the manner by which 'derivatives, extracts, [and] cannabinoids' are produced. Rather, it expressly applies to 'all' such downstream products so long as they do not cross the 0.3 percent delta-9 THC threshold."<sup>4</sup>

The 2018 Farm Bill also provides that state and Native American tribal governments may impose separate restrictions or requirements on Hemp growth. However, individual states cannot interfere with the interstate transportation or shipment of lawfully produced Hemp or Hemp products. PureKana transports and sells its products pursuant to the 2014 Farm Bill and currently applicable provisions of the 2018 Farm Bill, and in accordance with applicable state and local laws. All Hemp sourced by PureKana for use in its Hemp products meets federal requirements for Hemp under the 2018 Farm Bill. If sold internationally, PureKana's Hemp products are sold in accordance with the laws of the importing and exporting jurisdiction.

However, states take varying and inconsistent approaches to regulating the production and sale of Hemp and Hemp-derived CBD products. In some cases, states may remain silent on the issue. While some states explicitly authorize and regulate the production of Hemp and the sale of Hemp-derived CBD products, or otherwise provide legal protection for authorized individuals to engage in commercial Hemp activities, other states may have implemented state-specific laws, regulations, or policies prohibiting Hemp production and/or the sale of Hemp-derived CBD products, or otherwise maintain outdated laws that do not distinguish between marijuana and Hemp. In some states, sale of CBD, notwithstanding its origin from Hemp or marijuana, is either restricted to state medical or adult-use marijuana program licensees or remains otherwise unlawful under state laws. Additionally, a number of states prohibit the sale of ingestible CBD products based on the FDA's position that, pursuant to the FD&C Act, it is unlawful

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<sup>1</sup> U.S. Drug Enforcement Administration, Implementation of the Agriculture Improvement Act of 2018, 85 Fed. Reg. 51,639, 51,641 (Aug. 21, 2020) (proposed rule).

<sup>2</sup> U.S. Drug Enforcement Administration, Controlled Substances – Alphabetical Order (2023), [https://deadiversion.usdoj.gov/schedules/orangebook/c\\_cs\\_alpha.pdf](https://deadiversion.usdoj.gov/schedules/orangebook/c_cs_alpha.pdf).

<sup>3</sup> Letter from Terrence Boos, Chief, DEA, Drug & Chem. Evaluation Section Diversion Control Div., to Donna Yeatman, Exec. Sec'y Ala. Bd. of Pharm. (Sept. 15, 2021), <https://albop.com/oodoardu/2021/10/ALBOP-synthetic-delta8-THC-21-7520-signed.pdf/>.

<sup>4</sup> *AK Futures LLC v. Boyd St. Distro, LLC*, 35 F.4th 682, 692 (9th Cir. 2022).

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are Hemp-derived. Finally, some states have explicitly restricted the sale of Delta-8 and THC-P products, and other states have prohibited the processing of cannabinoid products to increase potency, toxicity, or addictive potential.

FDA regulates consumable products, and the 2018 Farm Bill explicitly preserved FDA's authority over hemp products. Based on FDA's commentary and actions to date, the industry assumption is that FDA seeks to regulate consumable hemp CBD products, such as PureKana's products, within a risk-reduction framework to ensure that the products are not adulterated or misbranded (and do not fall within any other of the prohibited acts within the Federal Food, Drug and Cosmetic Act). In January 2023, FDA denied three petitions requesting that the agency issue a regulation that would allow CBD products to be marketed as dietary supplements and announced that a legislative fix is needed to allow broader access to CBD products. The same day, FDA explained it "does not consider the existing dietary supplement and conventional food pathways to be appropriate for CBD and that the FDA is interested in working with Congress to develop a new pathway that balances consumers' desire to access CBD products with the regulatory oversight necessary to better manage the risks these products present."<sup>5</sup> In reaction to FDA's announcement, Members of Congress have investigated FDA's decision and have re-introduced two bills: (1) the CBD Product Safety and Standardization Act, which would direct FDA to allow CBD derived from hemp in foods by treating it as an approved food additive or generally recognized as safe (GRAS), and (2) the Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act, which would provide that hemp, CBD derived from hemp, and any other ingredient from hemp to be "lawful for use . . . as a dietary ingredient in a dietary supplement."<sup>6</sup>

In the interim, as developments continue, certain government agencies (such as FDA) and certain federal officials have challenged the scope of permissible commercial activity. FDA representatives, for example, have stated they believe that producers of CBD-based products produce and sell their products in violation of the FD&C Act at this time.

FDA also continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp-derived CBD and Delta-8 products as unapproved drugs, as well as CBD and Delta-8 products that may appeal to children. In warning letters related to unapproved drugs, one as recent as January 2023, FDA, for the most part, has issued warning letters to companies making aggressive disease and/or health claims about their CBD products and the ability for those products to prevent, treat, or cure diseases and conditions such as COVID-19, Alzheimer's, seizures, and depression. PureKana's activities related to the marketing and sale of its Hemp products comply with the 2014 Farm Bill and/or 2018 Farm Bill, as currently applicable to its operations. PureKana does not make aggressive disease or health related claims.

In warning letters related to CBD and Delta-8 products that may appeal to children, one as recent as June 2023, FDA has primarily, but not exclusively, focused on products that mimic well-known snack food brands by using similar marks, prompting consumer confusion especially in children; FDA (and in some cases, with the U.S. Federal Trade Commission) has warned consumers about the accidental ingestion by children of food products containing THC, and FDA has issued a safety alert about Delta-8 THC products overall.

While PureKana disagrees with several of FDA's positions, there is risk that the FDA could take enforcement or regulatory actions against PureKana and others in the industry.

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<sup>5</sup> U.S. Food and Drug Administration, "FDA Issues Response to Three Citizen Petitions Related to CBD and Dietary Supplements," <https://tinyurl.com/2p8h4bnr>.

<sup>6</sup> H.R. 6134, CBD Product Safety and Standardization Act of 2021, December 2, 2021; H.R. 8179, Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020, September 4, 2020, <https://www.congress.gov/bill/116th-congress/house-bill/8179/all-info?r=1&s=1>.



## **Simply Better Brands Corp.**

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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Legal barriers applicable to, and risks associated with, selling Hemp and Hemp-derived products result from a number of evolving factors to include the activities and interpretations of FDA and the patchwork of state laws. Stakeholders take different positions regarding the scope of legal activity in light of the interplay of federal and state law, and in light of recent developments, such as the 2018 Farm Bill, the September 30, 2017 decision of the World Anti-Doping Agency to drop CBD from its list of prohibited substances and the World Health Organization Expert Committee on Drug Dependence preliminary report finding that CBD is safe and well-tolerated and not associated with abuse potential.<sup>7</sup>

## **CORPORATE DEVELOPMENTS**

### **Financing**

The Company announced on February 14th that it had closed the first tranche of its previously announced private placement and upsized on February 7, 2023 (the "Private Placement"). The Company issued a total of 20,020,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of \$5,005,000. Each Unit consisted of one common share of SBBC ("Common Share") and one-half of one common share purchase warrant ("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. All securities issued in connection with this private placement are subject to a four-month hold period. It is anticipated that the net proceeds of the Private Placement will be used for new product development, channel expansion, geographic expansion, debt reduction and general corporate working capital purposes. Finders acting in connection with the private placement received fees in the aggregate amount of \$338,100 and 1,352,400 non-transferable finder's warrants. Each finder's warrant may be exercised to acquire one Unit at a price of \$0.25 per Unit until February 14, 2025. Insider (and entities controlled by insiders) participated in the placement for a total of approximately \$175,000.

The Company announced on February 27th that it had closed the second and final tranche (the "Second Tranche") of its \$7,000,000 non-brokered private placement (the "Offering"). Under the Second Tranche, the Company issued a total of 7,980,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of \$1,995,000. Each Unit consisted of one common share of SBBC ("Common Share") and one-half of one common share purchase warrant ("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. It is anticipated that the net proceeds of the Offering will be used for new product development, channel expansion, category expansion, debt reduction and general corporate working capital purposes. A significant participant in the private placement was VRG Capital, a Toronto-based private equity and investment banking firm. In connection with the Second Tranche, finders acting in connection with the Offering received fees in the aggregate amount of \$111,300 and 445,200 non-transferable finder's warrants. Each finder's warrant may be exercised to acquire one Unit at a price of \$0.25 per Unit until February 21, 2025. Insiders participated in the placement for a total of approximately \$150,000.

### **Board of Directors Expansion**

On February 27<sup>th</sup>, the Company announced the appointment of J. R. Kingsley Ward, a Managing Partner at VRG, to its Board of Directors. Kingsley has over thirty years of experience initiating, structuring and monetizing private equity investments and currently serves as the Chairman of Clarus Securities Inc.

On May 12, 2023, the Company announced the addition of Richard Kellam, President and CEO of Data Communications Management Corp. to its Board of Directors. Mr. Kellam will bring a wealth of general management, customer development and marketing experience through his 35-year international career with leading global

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<sup>7</sup> World Health Organization Expert Committee on Drug Dependence, Cannabidiol (CBD) Pre-Review Report, November 10, 2017, [https://www.who.int/medicines/access/controlled-substances/5.2\\_CBD.pdf](https://www.who.int/medicines/access/controlled-substances/5.2_CBD.pdf).

## **Simply Better Brands Corp.**

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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companies. Mr. Kellam's professional experience includes positions at Robin Hood Multifoods, Molson Breweries, The William Wrigley Company and Mars Inc. Following a 17 year, primarily internationally based, career with Mars Inc., he joined Goodyear as Senior Vice President of Global Sales and Marketing.

### **Business Developments**

The Company on March 20, 2023, announced its PureKana launch of a science-based line of CBD-based products designed to support specific dog ailments. The product line includes CBD oil drops, treats, and topicals formulated to address common issues such as anxiety, inflammation, skin irritation and coat health. Per Grandview Research, the global CBD pet market size was estimated at USD 195.98 million in 2022 and is expected to grow at a lucrative compound annual growth rate (CAGR) of 31.8% from 2023 to 2030. PureKana Pets was created with a mission to provide natural, safe, and efficacious solutions to improve the overall wellness of pets. The expanded PureKana Pet offering addresses the needs of pets in three categories: Calming/Anxiety relief, Hip /Joint anti-inflammatory, Hair & Coat / Irritation relief & shiny coat.

The Company announced on March 29, 2023, that it had entered an agreement with Sodexo a French, multinational company with 422,000 employees that provides food services, facilities management services, and employee benefits to 100 million consumers daily in 53 countries. This strategic relationship will enable Sodexo to accelerate its clean ingredient, plant-based food initiative and help it achieve its commitment to offer 33% plant-based dishes in their menus by 2025. For the initial launch phase, TRUBAR will begin work in the state of Texas in select micro-markets in Q2 2023. SBBC reports, expanded distribution and consumer demand has the company forecasting TRUBAR Q1 2023 revenues equal to or higher than all of 2022.

The Company announced on May 4, 2023, that TRUBAR was currently in national distribution at Costco due to the success of its TRUBAR business with Costco regions in 2022 as it exceeded the bar category sales velocities at Costco. Supporting the brands continued expansion are four initiatives: manufacturing capacity expansion, continued omnichannel distribution growth, bar flavor extensions, and the entry into the \$8 billion protein powder category in 2023.

The Company announced on May 9, 2023, that the No B.S. brand's Initial brick and mortar success at CVS has led to additional brick and mortar distribution in 2023. The brand slotted to enter Walgreens in the summer 2023. It was further announced that the No BS brand was also picked by TJ Maxx (Q2 2023) and BJ's Wholesale.com (Q2 2023). Sources of additional growth include omni-channel expansion supported by insight-driven innovation with an expanded facial acne patch portfolio (overnight pimple patch and acne patch plus retinol night cream) and a natural deodorant category entry.

The Company on July 13, 2023, announced that it had entered into a strategic agreement with Acosta Sales and Marketing ("Acosta"), a full-service sales and marketing agency made up of more than 20,000 associates that provide support scaling for some of the most recognized CPG brands. Building off significant momentum, TRUBAR will leverage Acosta's extensive sales and distribution network, deep marketing insights, and expertise in retail execution to rapidly expand its reach across the U.S marketplace. Acosta's well-established relationships with retailers and their comprehensive knowledge of consumer preferences will provide the brand with an opportunity to scale across large-format and natural grocery trade channels. This partnership supports TRUBAR'S mission to democratize wellness and introduce their dessert-inspired indulgent-Nutrition TM bars to a much larger consumer base.

The Company on July 19, 2023, announced their broader expansion into the convenience retail channel with new resources and capability. TRUBAR is broadening its distributor footprint, partnering with both McLane and Coremark, considered as the two largest U.S based convenience distributors, to support servicing the expanding retailer class of trade. In addition to the new distributor network, SBBC's announces retail expansion with Circle-K Southeast and Andretti Petroleum. This placement increases TRUBAR's current retail footprint to 400+ stores in North Carolina,

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

South Carolina, Georgia, and California. Both Circle-K Southeast and Andretti Petroleum have confirmed plans to launch TRUBAR in Q3 2023.

#### SUMMARY OF QUARTERLY RESULTS

<i>expressed in millions except for earnings (loss) per share</i>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$	\$	\$
Revenue	19.40	23.60	24.60	23.00
Gross margin (\$)	12.70	13.70	13.90	16.10
Gross margin (in %)	65%	58%	57%	70%
Net income (loss)	(0.60)	(6.30)	(2.70)	(5.40)
- Basic	(0.01)	(0.09)	(0.05)	(0.13)
- Diluted	(0.01)	(0.09)	(0.05)	(0.13)

<i>expressed in millions except for earnings (loss) per share</i>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	\$	\$	\$	\$
Revenue	13.40	16.90	12.10	6.50
Gross margin (\$)	8.80	11.70	8.00	4.40
Gross margin (in %)	66%	69%	66%	68%
Net income (loss)	(1.40)	(2.80)	(3.30)	(4.20)
- Basic	(0.03)	(0.10)	(0.10)	(0.13)
- Diluted	(0.03)	(0.10)	(0.10)	(0.13)

The net loss of \$0.6 million for the third quarter of 2023 decreased by \$5.7 million over the loss in the second quarter of 2023 is primarily related to the decrease in operating expenses (\$4.2 million) in the third quarter of 2023. The decrease in operating expenses was driven by a decrease in marketing expenses of \$3.6 million on the PureKana and TRUBAR brands, decrease in impairment of inventories and A/R of \$0.3 million, and decrease in amortization costs of \$0.2 million.

The net loss of \$6.3 million for the second quarter of 2023 increased by \$3.6 million over the loss in the first quarter of 2023 and is primarily related to the increase in operating expenses (\$3.6 million) in the second quarter of 2023. The increase in operating expenses was driven by an increase in marketing expenses of \$3 million on the PureKana and TRUBAR brands, impairment of inventories and A/R of \$0.3 million and an increase in customer support costs of \$0.3 million.

The net loss for the first quarter of 2023 decreased by \$2.7 million over the loss in the fourth quarter of 2022 and is primarily related to the decrease in operating expenses (\$5.0 million) and other expenses (\$0.9 million), offset by a reduction in gross margin (\$2.2 million) and deferred taxes (\$1.0 million) compared to the fourth quarter of 2022.

The net loss for the fourth quarter of 2022 increased by \$4.0 million over the loss in the third quarter of 2022 is primarily related to the increase in amortization expenses (\$2.8 million) and impairment charges (\$2.1 million) in the fourth quarter compared to the third quarter of 2022.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

The net loss for the third quarter of 2022 decreased by \$1.4 million over the loss in the second quarter of 2022 is primarily related to the decrease in marketing expenses, share-based payments and other expenses. In the second quarter of 2022, the Company recognized an impairment of prepaid expenses of \$0.4 million and the loss on remeasurement of loan payable. No such other expenses were recognized in the third quarter of 2022.

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 \$0.10 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 quarter 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 \$0.13 in the fourth quarter of 2021. The fourth quarter loss included impairment charges of \$2.5 million.

## RESULTS OF OPERATIONS

<i>expressed in millions *</i>	For the three months ended				Change	
	September 30, 2023		September 30, 2022		\$	%
	\$	% (in terms of revenue)	\$	% (in terms of revenue)		
Revenue	19.40	100%	13.40	100%	6.00	45%
Cost of goods sold	(6.70)	(35%)	(4.60)	(34%)	(2.10)	46%
<b>Gross profit</b>	<b>12.70</b>	<b>65%</b>	<b>8.80</b>	<b>66%</b>	<b>3.90</b>	<b>44%</b>

### Third Quarter September 30, 2023 – Revenue

The Company's revenue is generated by one segment – consumer products and within that segment by four main subsidiaries, PureKana, Tru, BRN, No BS and other subsidiaries which do not generate material revenue currently. Revenue for the third quarter of 2023 was \$19.4 million, an increase of \$6.0 million or 45% growth compared to \$13.4 million in the third quarter of 2022. PureKana's third quarter revenue for the three months ended September 30, 2023, was \$13.0 million compared to \$9.3 million for the comparable period in 2022 (increase of \$3.7 million or 40%). PureKana's revenue increase was driven by PureKana's marketing investments made in the later part of the second quarter to increase new sales and subscriptions. Tru's third quarter revenue for the three months ended September 30, 2023, was \$4.5 million compared to \$2.8 million for the comparable period in 2022 (increase of \$1.7 million or 62%). No BS's third quarter revenue for the three months ended September 30, 2023, was \$0.8 million compared to \$0.7 million for the comparable period in 2022. BRN's (Vibez and Seventh Sense) third quarter revenue for the three months ended September 30, 2023, was \$1.1 million, compared to \$0.4 million in the third quarter of 2022. SBBC's other subsidiaries contributed \$0.0 million in the third quarter compared to 0.2 million in the prior period.

### Third Quarter September 30, 2023 – Cost of goods sold.

Cost of goods sold includes the product cost from co-manufacturers, merchant processing fees, 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 in the third quarter (35%) were comparable to the prior period 2022 (34%). The Company continues to manage its finished goods costs with co-

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

manufacturers with the higher order volumes it has been able to place. Cost of goods sold for online sales (Direct to consumer "DTC") typically range in the low to mid 70's and retailer (Business to Business "B2B") gross margins range in the mid 30's to higher 40's.

Cost of goods sold was \$6.7 million in the third quarter of 2023 (35% of revenues) compared to \$4.6 million (34% of revenues) in the comparable period.

### Third Quarter September 30, 2023 – Gross profit

Gross profit for the third quarter of 2023 was \$12.7 million (65%) compared to \$8.8 million (66%) in the third quarter of 2022. The gross profit margin was flat in the third quarter of 2023 over the gross profit in the comparable period. There was a higher mix of online sales in the third quarter of 2023 compared to the second quarter of 2023 which had a higher percentage of lower margin B2B sales.

	For the nine months ended				Change	
	September 30, 2023		September 30, 2022		\$	%
	\$	% (in terms of revenue)	\$	% (in terms of revenue)		
<i>expressed in millions *</i>						
Revenue	67.60	100%	42.40	100%	25.20	59%
Cost of goods sold	(27.40)	(41%)	(13.90)	(33%)	(13.50)	97%
<b>Gross profit</b>	<b>40.20</b>	<b>59%</b>	<b>28.50</b>	<b>67%</b>	<b>11.70</b>	<b>41%</b>

### Nine Months September 30, 2023 – Revenue

The Company's revenue is generated by one segment – consumer products and within that segment by four main subsidiaries, PureKana, Tru, BRN, No BS and other subsidiaries which do not generate material revenue currently. Revenue for the nine months ending September 30, 2023, was \$67.6 million, an increase of \$25.2 million or 59% growth compared to \$42.2 million in the comparable period in 2022. PureKana's revenue for the nine months ended September 30, 2023, was \$37.9 million compared to \$32.4 million for the comparable period in 2022 (increase of \$5.6 million or 17%). Tru's revenue for the nine months ended September 30, 2023, was \$23.7 million compared to \$7.2 million for the comparable period in 2022 (increase of \$16.5 million or 228%). Tru's strong sales performance was driven primarily by orders from Costco in the US for a national promotion (Multi Vendor Mailers "MVM") and from major retailers in Canada. No BS's revenue for the nine months ended September 30, 2023, was \$1.4 million compared to \$1.8 million for the comparable period in 2022. BRN (Vibez and Seventh Sense) revenue for the nine months ended September 30, 2023, was \$4.5 million compared to \$0.7 million in the comparable period in 2022. SBBC's other subsidiaries contributed \$0.1 million for the nine months ended September 30, 2023, to \$0.3 million in the comparable period of 2022.

### Nine Months September 30, 2023 – Cost of goods sold

Cost of goods sold includes the product cost from co-manufacturers, merchant processing fees, 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 increased for the nine months ending September 30, 2023, relative to the comparable period in 2022 by 8 percentage points due to a higher mix of lower margin retail sales (37% of sales compared to 20% of sales in the comparable period in 2022) which has lower gross margins than online sales. The Company continues to manage its finished goods costs with co-manufacturers with the higher order volumes it has been able to place. Cost of goods sold for online sales (Direct to consumer "DTC")

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

typically range in the low to mid 70's and retailer (Business to Business "B2B") gross margins range in the mid 30's to higher 40's.

Cost of goods sold was \$27.4 million for the nine months ending September 30, 2023 (41% of revenues) compared to \$13.9 million (33% of revenues) in the comparable period in 2022.

#### Nine Months September 30, 2023 – Gross profit

Gross profit for the nine months ending September 30, 2023, was \$40.2 million (59%) compared to \$28.5 million (67%) in the comparable period in 2022. The gross profit margin was down 8 percentage points for the nine months ending September 30, 2023, over the gross profit in the comparable period driven by a higher mix of B2B sales for the nine months ending September 30, 2023.

#### Third Quarter September 30, 2023 – Operating Expenses

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

expressed in millions *	For the three months ended				Change	
	September 30, 2023		September 30, 2022		\$	%
	\$		\$			
<b>Expenses</b>						
Amortization	0.80	6%	0.60	6%	0.20	33%
Customer service support	1.40	10%	0.50	5%	0.90	180%
General and administrative expenses	0.50	4%	0.60	6%	(0.10)	(17%)
Impairment of accounts receivable	-	-	0.20	2%	(0.20)	(100%)
Marketing expenses	9.80	69%	6.20	57%	3.60	58%
Professional fees	0.30	2%	0.60	6%	(0.30)	(50%)
Salaries and wages	0.90	6%	1.00	10%	(0.10)	(10%)
Share-based payments	0.40	3%	0.80	8%	(0.40)	(50%)
Miscellaneous	0.10	-	-	-	0.10	100%
<b>Total expenses</b>	<b>14.20</b>	<b>100%</b>	<b>10.50</b>	<b>100%</b>	<b>3.70</b>	<b>35%</b>

Operating costs for the third quarter of 2023 were \$14.2 million, an increase of \$3.7 million (or 35%), compared to \$10.5 million in the third quarter of 2022.

The majority of the operating costs increase incurred in the three months ended September 30, 2023, were marketing expenses (\$9.8 million for Q3 or 69% of operating expenses) and they increased \$3.6 million over the previous year directly related to the increase in revenues for PureKana, BRN and Tru sales. Marketing was down \$3.6 million from the second quarter in 2023. There are three main categories of marketing expenses. They are online (1) online advertising, (2) email marketing and social media and (3) retailer promotional allowances. The first two categories of marketing expenses are directly related to DTC sales whereas the retailer promotional allowances are related to B2B sales. In the third quarter of 2023, online advertising accounted for 82% of the marketing expenses compared to 83% in the comparable period in 2022. In the third quarter of 2023, email marketing and social media accounted for 7% compared to 7% in the comparable period in 2022. DTC sales in the third quarter of 2023 were 45% higher than DTC revenues in the comparable period 2022. Marketing expenses related to DTC were up by \$3.3 million in the third quarter of 2023 compared to those in the third quarter of 2022 due to higher advertising and email marketing activities related to the 45% higher DTC sales in the third quarter of 2023 compared to the prior period.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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In the third quarter of 2023, retailer promotional allowances accounted for 13% of marketing expenses compared to 8% in the comparable period in 2022. The increase in this category of \$0.2 million in the third quarter was directly related to the higher sales of Trubar and No BS brick and mortar sales in the third quarter of 2023 compared to the prior period. B2B sales increased from \$3.0 million in Q3 2022 to \$5.1 million in Q3 2023 (\$2.1 million increase in B2B sales).

Non-cash items of \$1.2 million (Share-based payments of \$0.4 million and amortization of \$0.8 million) represented 9% of the operating expenses and were flat with the prior year.

Customer services support represented 10% of operating expenses for the three months ended September 30, 2023 (\$1.4 million) and increased \$0.9 million or 180% over the prior year (\$0.5 million). These expenses were also directly related to the increase in sales at PureKana and BRN and represent two categories of expenses: (1) Third Party Customer Services Agents and (2) Information Technology used to operate the affiliate marketing programs. Category (1) generally increases with the increase in customer orders and sales; however, the Company is working on continually automating customer services tasks to reduce the volume of transactions that agents need to directly work on. Category (1) increased 53% over the prior period on 45% higher sales in the third quarter compared to the prior period. Part of the increase in the third quarter costs in 2023 were due to more time agents spent working on sales activities compared to the prior period. Category (2) increased \$0.7 million during the third quarter 2023 compared to the prior period in 2022 and is the main reason for the increase of \$0.7 million. This technology had begun implementation in the third quarter 2022 so it did not represent a full quarter of expenses compared to 2023. Additionally, it is the Company's strategy to further automate customer transactions to reduce third party customer agent expenses. The external customer agents are free from handling admin tasks and can concentrate on customer sales and customer inquiries that cannot be easily automated. There was approximately \$0.3 million of one-time expenses incurred during the third quarter with this category.

Professional fees reduced \$0.3 million to \$0.3 million for the three months ended September 30, 2023, compared to the prior year (\$0.6 million). The \$0.3 million reduction was driven by lower audit fees (\$0.1 million) and lower consulting fees (\$0.2 million).

Salaries and Wages were \$0.9 million in the third quarter of 2023 represent 6% of total expenses and decreased \$0.1 million from the prior year (\$1.0 million) as a result of headcount reductions made in the Herve and BRN acquisitions as the Company sought operating synergies post-acquisition.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

#### Nine Months September 30, 2023 – Operating Expenses

<i>expressed in millions *</i>	For the nine months ended					
	September 30, 2023		September 30, 2022		Change	
	\$		\$		\$	%
<b>Expenses</b>						
Amortization	2.90	6%	1.40	4%	1.50	107%
Customer service support	3.10	7%	1.50	4%	1.60	107%
General and administrative expenses	1.70	4%	1.50	4%	0.20	13%
Impairment of accounts receivable	0.10	-	0.20	1%	(0.10)	(50%)
Impairment of inventories	0.20	-	-	-	0.20	100%
Marketing expenses	33.50	71%	21.40	62%	12.10	57%
Professional fees	1.10	2%	1.80	5%	(0.70)	(39%)
Regulatory and filing fees	0.10	-	0.20	1%	(0.10)	(50%)
Salaries and wages	3.00	6%	3.00	9%	-	-
Share-based payments	1.60	3%	3.50	10%	(1.90)	(54%)
Travel and entertainment	-	-	0.10	-	(0.10)	(100%)
Miscellaneous	0.10	1%	(0.20)	-	0.30	(150%)
<b>Total expenses</b>	<b>47.40</b>	<b>100%</b>	<b>34.40</b>	<b>100%</b>	<b>13.00</b>	<b>38%</b>

Operating costs for the nine months ending September 30, 2023 were \$47.4 million, an increase of \$13.0 million (or 38%), compared to \$34.4 million in the comparable period in 2022.

The majority of the operating costs increase incurred in the nine months ended September 30, 2023, were marketing expenses (\$33.5 million for 9 months or 71% of operating expenses) and they increased \$12.1 million over the previous year directly related to the increase in revenues for PureKana, BRN and Tru. There are three main categories of marketing expenses. They are online (1) online advertising, (2) email marketing and social media and (3) retailer promotional allowances. The first two categories of marketing expenses are directly related to DTC sales whereas the retailer promotional allowances are related to B2B sales. For the nine months ended September 30, 2023, online advertising accounted for 78% of the marketing expenses compared to 88% in the comparable period in 2022. For the nine months ended September 30, 2023, email marketing and social media accounted for 7% compared to 4% in the comparable period in 2022. DTC sales for the nine months ended September 30, 2023, were up 28% or \$9.0 million compared to DTC revenues in the comparable period 2022. Marketing expenses related to DTC were up by \$7.2 million for the nine months ended September 30, 2023, compared to those in the comparable period of 2022 due to an increased push in the third quarter to acquire customers for the PureKana and VibeZ brands. This investment in the customer base for PureKana and VibeZ resulted in increases in subscribers bases for these two brands in the third quarter and subscriptions benefited sales and margins in the third quarter.

For the nine months ended September 30, 2023, retailer promotional allowances accounted for 13% compared to 6% in the comparable period in 2022. The increase in this category of \$3.2 million for the nine months ended September 30, 2023, was directly related to the national Costco MVM promotion for Tru. B2B sales increased approximately from \$7.5 million for the nine months ended September 30, 2022, to \$24.3 million in 2023 (\$16.8 million increase in sales). The national promotional costs are significantly higher than the regular Costco promotional allowances. The national promotion averaged 25% compared to the regular promotional allowance of approximately 10% in 2023. The Company chose to participate as it expected to exit the national promotion in a favorable position where additional Costco regions would continue to order the product after the national promotion had ended.

Non-cash items of \$4.5 million (Share-based payments of \$1.6 million and amortization of \$2.9 million) represented 9% of the operating expenses and decreased \$0.4 million from the prior year. The primary reason for the decline was due to share based payments. Share based payments were lower by \$1.9 million for the nine months ended



## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

September 30, 2023 (\$1.6 million) compared to the prior period (\$3.5 million). The \$1.6 million was lower due to a significant decrease in the fair value of options that are now recognized in share-based payment expense. For example, the options award in July 2021 were \$3.20 per option compared to options award in 2022 which had a fair value of \$0.25 per option. This situation also applies to the RSU's that were granted in 2021 which are now fully vested (\$4.538 per RSU) compared to RSU's granted in November 2022 (\$0.321 per RSU). Amortization increased \$1.3 million due to the addition of intangible assets from two acquisitions made in 2022. The Company typically writes the customer relationship, trademarks and other intangibles from acquisitions over a three-year period.

Customer services support represented 7% of operating expenses for the nine months ended September 30, 2023 (\$3.1 million) and increased \$1.6 million or 107% over the prior year (\$1.5 million). These expenses were also directly related to the increase in sales at PureKana and BRN and represent two categories of expenses: (1) Third Party Customer Services Agents and (2) Information Technology used to operate the affiliate marketing programs. Category (1) generally increases with the increase in customer orders and sales; however, the Company is working on continually automating customer services tasks to reduce the volume of transactions that agents need to directly work on. Category (1) increased 60% over the prior period on 28% higher sales in the nine months ended compared to the prior period. Part of the increase in the nine-month period costs in 2023 were due to more time agents spent working on sales activities compared to the prior period. Additional category cost reduction was made that will be reflected in the fourth quarter 2023. Category (2) increased \$1.0 million during the nine months ended September 30, 2023, compared to the prior period in 2022 and is the main reason for the increase of \$1.6 million and there was approximately \$0.3 million of one-time expenses incurred during the third quarter with this category. Additionally, it is the Company's strategy to further automate customer transactions to reduce third party customer agent expenses. The external customer agents are free from handling admin tasks and can concentrate on customer sales and customer inquiries that cannot be easily automated. Category One increased by \$0.6 million for the nine months ending 2023 compared to the prior period as the Company launch a new brand VibeZ in 2023 that required customer services to be implemented to support the new brand.

Professional fees reduced \$0.7 million to \$1.1 million for the nine months ended September 30, 2023, compared to the prior year (\$1.8 million). The \$0.7 million reduction was driven by lower legal fees (\$0.1 million), lower audit fees (\$0.2 million) and lower consulting fees (\$0.4 million).

General and administrative expenses increased by \$0.2 million for the nine months ended September 30, 2023 (\$1.7 million) compared to the prior year (\$1.5 million). The increase was driven by the higher brokerage fees related to Tru's B2B business for the nine months ended September 30, 2023.

### Third quarter September 30, 2023 – Other income (expenses)

	For the three months ended				Change	
	September 30, 2023		September 30, 2022		\$	%
<i>expressed in millions *</i>	\$	%	\$	%	\$	%
<b>Expenses</b>						
Fair value adjustment of derivative liability	0.30	30%	0.20	100%	0.10	50%
Finance costs	(0.50)	(50%)	(0.40)	(200%)	(0.10)	25%
Gain on remeasurement of warrant liabilities	1.30	130%	-	-	1.30	100%
Gain on settlement of the milestone shares	-	-	0.40	200%	(0.40)	(100%)
Write-off of advance payments	(0.10)	(10%)	-	-	(0.10)	100%
<b>Total other income (expenses)</b>	<b>1.00</b>	<b>100%</b>	<b>0.20</b>	<b>100%</b>	<b>0.80</b>	<b>400%</b>

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

Other income for the third quarter 2023 was \$1.0 million compared to other income of \$0.2 million in the third quarter of 2022 or an increase of \$0.8 million. The main components in the third quarter of 2023 for other income and expenses were finance costs of \$0.5 million and gain on remeasurement of warrant liabilities of \$1.3 million.

#### Nine Months Ended September 30, 2023 – Other income (expenses)

<i>expressed in millions *</i>	For the nine months ended				Change	
	September 30, 2023		September 30, 2022		\$	%
	\$	%	\$	%		
<b>Expenses</b>						
Acquisition-related costs	-	-	(0.50)	55%	0.50	(100%)
Fair value adjustment of derivative liability	0.10	(4%)	0.20	(22%)	(0.10)	(50%)
Finance costs	(1.70)	71%	(0.90)	100%	(0.80)	89%
Foreign exchange loss	(0.20)	8%	(0.10)	11%	(0.10)	100%
Loss on remeasurement of warrant liabilities	(0.30)	13%	-	-	(0.30)	100%
Gain on settlement of the milestone shares	-	-	0.40	(44%)	(0.40)	(100%)
Grant and other assistance	-	-	0.40	(44%)	(0.40)	(100%)
Impairment of intangible assets	(0.20)	8%	-	-	(0.20)	100%
Write-off of advance payments	(0.10)	4%	(0.40)	44%	0.30	(75%)
Miscellaneous	-	-	-	-	-	-
<b>Total other income (expenses)</b>	<b>(2.40)</b>	<b>100%</b>	<b>(0.90)</b>	<b>100%</b>	<b>(1.50)</b>	<b>167%</b>

Other expenses for the nine months ended September 30, 2023, were \$2.4 million compared to other expenses of \$0.9 million in the comparable period of 2022 or an increase of \$1.5 million. The main components for the nine months ended September 30, 2023, for other income and expenses were loss on remeasurement of warrant liabilities of \$0.3 million and finance costs of \$1.7 million.

#### 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 a business excluding non-cash charges.

**Simply Better Brands Corp.**

## Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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 ended September 30, 2023, and 2022, and a reconciliation of same to net income (loss):

	For the three months ended		Change in	
	September 30, 2023	September 30, 2022	\$	%
	\$	\$		
<b>Net loss</b>	<b>(0.60)</b>	<b>(1.50)</b>	<b>0.90</b>	<b>(150%)</b>
Amortization	0.80	0.60	0.20	25%
Finance costs	0.50	0.40	0.10	20%
<b>EBITDA</b>	<b>0.70</b>	<b>(0.50)</b>	<b>1.20</b>	<b>(105%)</b>
Fair value adjustment of derivative liability	(0.30)	(0.20)	(0.10)	33%
Impairment of receivable	-	0.20	(0.20)	100%
Gain on settlement of the milestone shares	-	(0.40)	0.40	100%
Loss on remeasurement of warrant liabilities	(1.30)	-	(1.30)	100%
Share-based payments	0.50	0.80	(0.30)	(60%)
Shares issued for services	-	0.10	(0.10)	100%
Write-off of advance payments	0.10	-	0.10	100%
Non-recurring expenses	0.40	-	0.40	100%
<b>Adjusted EBITDA</b>	<b>0.10</b>	<b>0.00</b>	<b>0.10</b>	<b>468%</b>

The Company generated positive adjusted EBITDA of \$0.1 million for the three months ended September 30, 2023, a \$2.5 million improvement over the adjusted EBITDA loss incurred in the second quarter of 2023. Q3 adjusted EBITDA of \$0.1 million was an increase of \$0.1 million over the adjusted EBITDA of \$0.0 million for the comparable period in 2022. The primary driver for the positive adjusted EBITDA of \$0.1 million for the third quarter of 2023 is due to the increase in cash operating expenses (\$3.7 million) which were offset by increased gross profits (\$3.8 million) compared to the prior period in 2022.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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 nine months ended September 30, 2023, and 2022, and a reconciliation of same to net income (loss):

	For the nine months ended		Change in	
	September 30, 2023	September 30, 2022	\$	%
	\$	\$		
<b>Net loss</b>	<b>(9.60)</b>	<b>(6.90)</b>	<b>(2.70)</b>	28%
Amortization	2.90	1.40	1.50	52%
Finance costs	1.70	0.90	0.80	47%
<b>EBITDA</b>	<b>(5.00)</b>	<b>(4.60)</b>	<b>(0.40)</b>	<b>127%</b>
Acquisition-related costs	-	0.20	(0.20)	100%
Acquisition costs paid by common shares	-	0.20	(0.20)	100%
Fair value adjustment of derivative liability	(0.10)	(0.20)	0.10	(100%)
Impairment of intangible assets	0.20	-	0.20	100%
Impairment of inventories	0.20	-	0.20	100%
Impairment of receivable	0.10	0.20	(0.10)	(100%)
Gain on settlement of the milestone shares	-	(0.40)	0.40	100%
Loss on remeasurement of warrant liabilities	0.30	-	0.30	100%
Share-based payments	1.60	3.50	(1.90)	(119%)
Shares issued for services	-	0.50	(0.50)	100%
Write-off of advance payments	0.10	0.40	(0.30)	(300%)
Non-recurring expenses	1.20	-	1.20	100%
<b>Adjusted EBITDA</b>	<b>(1.40)</b>	<b>(0.20)</b>	<b>(1.20)</b>	<b>308%</b>

The Company had an adjusted EBITDA loss of \$1.4 million for the nine months ended September 30, 2023, an increase of \$1.2 million over the adjusted EBITDA loss of \$0.2 million for the comparable period in 2022. The primary driver for the increased adjusted EBITDA loss of \$1.4 million for the nine months ended September 30, 2023, is the increase in cash operating expenses (\$13.1 million) which were offset by increased gross profits (\$11.7 million) compared to the prior period in 2022. The operating expense increase for nine months ended September 30, 2023, reflected investment in sales growth and automation of customer services in the PureKana and VibeZ brands as well as the Tru brand to drive sales growth. The marketing and customer services technology investments in the DTC brands are expected to result in benefits in the latter half of 2023 for PureKana and VibeZ (more subscription revenues and lower customer services costs). For the investments in the Tru Brand during the first six months of 2023 (e.g., Costco MVM), the benefits are expected to materialize over the next twelve months for the Tru brand. The Costco MVM has brought significant awareness of the TRUBAR brand in mass, convenience, and grocery categories. The Company has started to see delivery of TRUBAR beyond the mass category in the third quarter of 2023 through initial deliveries to convenience stores and grocery expected to start delivering in the fourth quarter of 2023 and first quarter of 2024.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

#### LIQUIDITY AND CAPITAL RESOURCES

<i>expressed in millions *</i>	September 30, 2023	December 31, 2022
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3.30	2.30
Accounts receivable	1.60	4.60
Other receivable	0.10	0.10
Prepaid expenses	4.40	4.50
Inventory	3.10	3.60
<b>Total current assets</b>	<b>12.50</b>	<b>15.10</b>
<b>Non-current assets</b>	<b>18.30</b>	<b>21.40</b>
<b>TOTAL ASSETS</b>	<b>30.80</b>	<b>36.50</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	5.00	6.10
Current portion of derivative liability	0.10	0.20
Amount due to the revolving credit facilities	5.40	4.30
Current portion of loan payable	10.40	10.30
Current portion of promissory note	0.70	1.80
Current portion of convertible notes	0.50	1.70
<b>Total current liabilities</b>	<b>22.10</b>	<b>24.40</b>
Derivative liability	1.60	-
<b>Non-current liabilities</b>	<b>2.10</b>	<b>1.00</b>
<b>TOTAL LIABILITIES</b>	<b>24.20</b>	<b>25.40</b>
<b>WORKING CAPITAL (DEFICIENCY)</b>	<b>(9.60)</b>	<b>(9.30)</b>

The Company's working capital requirements fluctuate from period to period depending on, among other factors, key consumer holidays (third, 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 had a cash balance of \$3.3 million as of September 30, 2023, 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 \$9.3 million as of December 31, 2022, to a working capital deficiency of \$9.6 million as of September 30, 2023 (\$0.3 million decrease). Working capital deficiency included the Mainstreet loan (\$10.4 million) which is classified as current whereas the term of the loan is 5 years maturing in December 2025. The Mainstreet loan has a five-year term with principal repayments due to start in December 2023 with the first \$1.5 million principal repayment. The Company is currently in discussions with the financial institution to restructure that Mainstreet loan payment into several installments to be paid over the next eight months. This loan has several covenants including annual and quarterly reporting and debt service coverage. No notice of default has been received by Purekana, LLC as of the date of this MD&A and Purekana has been paying the interest on a regular basis. It has been classified as current as a result of the noncompliance with the debt service covenant.

The Company continues to focus on improving its working capital position through a number of initiatives including equity and convertible debt private placements, issuance of promissory notes and establishment of lines of credit for its subsidiaries.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

#### Private Placements

The Company completed a private placement for CAD \$7 million in equity to be used for further debt reduction, working capital and for growth initiatives in 2023.

#### Convertible Debentures

The Company paid down \$1.7 million in convertible debentures including accrued interest that were due in February 2023.

#### Line of Credit Facilities

Additionally, the Company has secured several lines of credit facilities for three of its subsidiaries to support the financing of purchase orders from key customers. These lines of credit have been critical to finance the large retail purchase orders the Company's subsidiaries have successfully generated during the nine months ended September 30, 2023. For more information of the line of credit facilities please refer to note 8 in the interim financial statements for the three months ended September 30, 2023. During the nine months ended September 30, 2023, the Company raised over \$13.6 million in funds from these lines of credit to finance purchase orders from its large retail customers. Over the same period, the Company repaid over \$13.0 million of these credit facilities to the lender. TRU was able to increase its primary line of credit with this lender to \$6 million in December 2022. The nature of these loans is to turnover between 3-5 months from the time the money is advanced to repayment.

#### Promissory Notes

During the three months ended September 30, 2023, the Company reduced the balance of promissory notes outstanding by approximately \$1.2 million (see note 11 in the financial statements for the three months ended September 30, 2023). All promissory notes paid off during the year had a maturity less than 12 months. The balance of promissory notes was \$2.4 million as of December 31, 2022, and the balance as of September 30, 2023 is \$1.2 million.

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
	September 30, 2023	September 30, 2022	
<i>expressed in millions</i>	\$	\$	\$
Cash flow used in operating activities	(1.70)	(0.60)	(1.10)
Cash flow provided by (used in) financing activities	0.60	0.40	0.20
Effects of exchange rate changes on cash	0.30	-	0.30
<b>Increase (decrease) in cash</b>	<b>(0.80)</b>	<b>(0.20)</b>	<b>(0.60)</b>

**Simply Better Brands Corp.**

## Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

	For the nine months ended		Change
	September 30, 2023	September 30, 2022	
<i>expressed in millions</i>	\$	\$	\$
Cash flow used in operating activities	(1.00)	(3.00)	2.00
Cash flow provided by investing activities	-	3.70	(3.70)
Cash flow provided by (used in) financing activities	1.90	(1.00)	2.90
<b>Increase (decrease) in cash</b>	<b>0.90</b>	<b>(0.30)</b>	<b>1.20</b>

Third quarter 2023 Cash flow from (used in) operating activities.

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

	For the three months ended		Change
	September 30, 2023	September 30, 2022	
<i>expressed in millions</i>	\$	\$	\$
Net loss	(0.60)	(1.50)	0.90
Adjustments for items not affecting cash:	0.30	1.40	(1.10)
Net changes in non-cash working capital items:	(1.40)	(0.50)	(0.90)
<b>Increase (decrease) in cash</b>	<b>(1.70)</b>	<b>(0.60)</b>	<b>(1.10)</b>

Cash used in operating activities was \$1.7 million in the third quarter of 2023, compared to cash flow used of \$0.6 million in the third quarter of 2022 or an increase of \$1.1 million. This increase of \$1.1 million was the result of (1) cash used in operating activities after adjusting for items not affecting cash of \$0.3 million during the third quarter of 2023 compared to \$0.1 million used in the prior period (\$0.2 million increase) and (2) cash used in non-cash working capital of \$1.4 million in the third quarter of 2023 compared to the non-cash working capital of \$0.6 million used in the third quarter of 2022 (\$1.1 million increase). The largest increase in non-cash working capital in the third quarter came from decrease in deferred revenue in the third quarter of 2023 (\$1 million impact). Cash used in operating activities after adjusting for items not affecting cash in the third quarter of 2023 (\$0.3 million used) improved significantly from the results of second quarter of 2023 (\$3.0 million used) by \$2.7 million.

	For the nine months ended		Change
	September 30, 2023	September 30, 2022	
<i>expressed in millions</i>	\$	\$	\$
Net loss	(9.60)	(6.90)	(2.70)
Adjustments for items not affecting cash:	6.80	6.70	0.10
Net changes in non-cash working capital items:	1.80	(2.80)	4.60
<b>Increase (decrease) in cash</b>	<b>(1.00)</b>	<b>(3.00)</b>	<b>2.00</b>

Cash used in operating activities was \$1.0 million for the nine months ended September 30, 2023, compared to cash flow used of \$3.0 million in the comparable period in 2022 or an increase of \$2.0 million. This increase of \$2.0 million was the result of (1) cash used in operating activities after adjusting for items not affecting cash of \$2.8 million during the nine months June 30, 2023 compared to \$0.2 million used in the prior period (\$2.6 million decrease) and (2) cash generated from non-cash working capital of \$1.8 million for the nine months ended September 30, 2023 compared to the non-cash working capital of \$2.8 million used in the comparable period of 2022 (\$4.6 million increase).

Third quarter 2023 Cash flow from (used in) investing activities.

Cash from investing activities was \$nil in the third quarter of 2023, compared to \$nil million in the third quarter of 2022.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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#### Nine months ending September 30, 2023, Cash flow from (used in) investing activities.

Cash from investing activities was \$nil in the third quarter of 2023, compared to \$3.7 million in the third quarter of 2022 or a decrease of \$3.7 million.

#### Third quarter 2023 Cash flow from (used in) financing activities.

Cash flow generated from financing activities of \$0.6 million in the third quarter of 2023 was related to net loan advances and repayments compared to cash used in financing activities of \$0.4 million in the third quarter of 2022.

#### Nine months ending September 30, 2023, Cash flow from (used in) financing activities.

Cash flow from financing activities of a net \$1.9 million for the nine months ended September 30, 2023, was related to cash generated from equity financing of \$5.0 million a net increase in proceeds from credit lines of \$0.6 million which were offset by a reduction in promissory notes of \$2.0 million and a repayment of convertible debentures of \$1.7 million compared to cash used in financing activities of \$1.0 million in the comparable period of 2022.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, September 30, 2023, the Company had 72,320,128 common shares issued and outstanding (42,488,379 as of December 31, 2022).

In addition, as at the date of this MD&A, the Company had 2,297,600 warrants, 1,287,000 stock options and 4,001,089 RSUs issued and outstanding.

In addition to the outstanding warrants as of the date of the MD&A, 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. Each Convertible Debenture holder will receive one-half common share purchase warrant for each Common Share exercisable at \$0.59. If all warrants exercised a total of 1,089,744 Common Shares would be issued.

#### During the nine months ended September 30, 2023

##### Common shares

- 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 10).

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



## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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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 1,001,043 common shares with a fair value of \$2,331,866 for the restricted share unit.
- The Company issued 380,393 common shares with a fair value of \$129,795 pursuant to the Earnout Agreement (Note 18). This amount was recognized as share-based payments in the statements of loss and comprehensive loss.
- The Company issued 90,236 common shares with a fair value of \$17,333 for consulting services.

#### Stock Options

- 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.
- 30,334 options cancelled and 73,666 options forfeited.

#### RSUs

- 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.
- On May 12, 2023, the Company issued 2,070,000 RSUs with fair value of \$658,260 to the Company's CEO, CFO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- The Company issued 1,001,043 common shares for the restricted share unit.
- 3,803 RSUs forfeited.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As of September 30, 2023 and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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#### 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.

During the nine months ended September 30, 2023, the key management compensation was:

- Salaries and benefits – \$584,823 (September 30, 2022 – \$559,665)
- Share-based payments – \$1,279,399 (September 30, 2022– \$2,703,347)

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

#### **During the nine months ended September 30, 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.
- 3,145,000 RSUs with a fair value of \$878,564 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

#### **During the nine months ended September 30, 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.
- 900,000 RSUs with fair value of \$288,900 to its officers and directors. One-sixth will vest every six months after the grant date.

#### 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, 2022 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.

**Simply Better Brands Corp.**

## Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

**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:

	September 30, 2023		FVTPL	Amortized costs		FVTOCI
	\$		\$	\$		\$
<b>FINANCIAL ASSETS</b>						
<b>ASSETS</b>						
Cash	3,272,293		-	3,272,293		-
Accounts receivable	1,555,534		-	1,555,534		-
Other receivable	119,869		-	119,869		-
Restricted cash	325,000		-	325,000		-
Deposits	3,783		-	3,783		-
<b>FINANCIAL LIABILITIES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	(4,959,520)		-	(4,959,520)		-
Derivative liability	(75,716)		(75,716)	-		-
Amount due to the revolving credit facilities	(5,371,376)		-	(5,371,376)		-
Loan payable	(10,393,361)		-	(10,393,361)		-
Current portion of promissory note	(672,143)		-	(672,143)		-
Current portion of convertible notes	(478,818)		-	(478,818)		-
Warrant liabilities	(1,635,074)		(1,635,074)	-		-
Promissory note	(520,410)		-	(520,410)		-
<b>FINANCIAL ASSETS</b>						
<b>ASSETS</b>						
Cash	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		-
<b>FINANCIAL LIABILITIES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	(6,122,385)		-	(6,122,385)		-
Derivative liability	(175,122)		(175,122)	-		-
Loan payable	(10,314,840)		-	(10,314,840)		-
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.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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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 September 30, 2023 are shown below:

	September 30, 2023	Estimated fair value		
		Level 1 \$	Level 2 \$	Level 3 \$
Current portion of derivative liability	(75,716)	-	-	(75,716)
Warrant liabilities	(1,635,074)	-	-	(1,635,074)

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 10 and 13 for further disclosures.

As of September 30, 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 are exposed 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 September 30, 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.

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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- **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 September 30, 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 nine months ended September 30, 2023. The Company has not entered into any interest rate swaps to mitigate this risk.

The Company's derivative liability may expose 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.

#### **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 nine months ended September 30, 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 September 30, 2023, the Company had cash of \$3,272,293 to meet short-term business requirements. As of September 30, 2023, the Company had current liabilities of \$21,973,704 (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 interim consolidated financial statements for

## Simply Better Brands Corp.

### Management's Discussion and Analysis

For the nine months ended September 30, 2023

(Expressed in United States Dollars unless otherwise specified)

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the quarter ended September 30, 2023, and this accompanying MD&A (together, the "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 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 interim consolidated financial statements for the nine months ended September 30, 2023 (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, 2022.

#### ADDITIONAL INFORMATION

Additional information relating to the Company's operations and activities can be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).