SIMPLY BETTER BRANDS CORP.

Management's Discussion and Analysis

December 31, 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, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and the notes relating thereto, for the year ended December 31, 2023, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is prepared as of April 24, 2024. 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.sedarplus.ca.

FORWARD LOOKING STATEMENTS

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

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, the adverse impact of the COVID-19 pandemic to our operations, our supply chain, our distribution chain, and to the broader market for our products, revenue fluctuations, nature of government regulations (both domestic and foreign), economic conditions, loss of key customers, retention and availability of executive talent, competing products, the effectiveness of e-commerce marketing strategies, loss of proprietary information, product acceptance, internet and system infrastructure functionality, information technology security, cash available to fund 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 high-growth consumer product categories including CBD products, plant-based food and beverage, and the 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 offers a selection of plant-based TRUBAR protein bars for health-conscious consumers under its Tru Brands Inc. subsidiary. The TRUBAR line of nutritious, dairy-free, soy-free, non-GMO, gluten-free bars are sold across North America by a growing list of major retailers in the club, convenience and grocery channels including Costco, BJ's Wholesale and Whole Foods as well as Loblaws, Sobey's and Shoppers Drug Mart in Canada. TRUBAR products are also offered through Amazon and other online sites.

The Company also 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 are marketed 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.

In addition, the Company 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 No BS products are made responsibly in America and are never tested on animals.

The Company has followed an operating model that efficiently generates sales while maintaining tight control over its expenses. The Company has focused on developing key strategic relationships with its vendors to produce its products. The Company has strategic partners in fulfillment, marketing, and customer service that enable the Company to scale its business without significant need for capital investment. Through its agile partnership model, the Company has quickly developed its revenues since its inception while maintaining 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 a goal to reduce operating costs and market its product offerings through multiple physical retail and e-commerce 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 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 customers' 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 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 Δ9-THC is not a determining factor in whether the material is a controlled substance. All synthetically derived tetrahydrocannabinols remain schedule I controlled substances."[1] While Delta-8 THC appears on the DEA's Orange Book of controlled substances[2], 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[3]. 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."[4]

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 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

[1] [1] 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).

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

[3] 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/.

[4] *AK Futures LLC v. Boyd St. Distro, LLC*, 35 F.4th 682, 692 (9th Cir. 2022).

oversight necessary to better manage the risks these products present."[5] 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."[6]

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.

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.[7]

CORPORATE DEVELOPMENTS

Financing

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

[6] 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.

[7] 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.

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 CAD 0.25 per Unit for gross proceeds of CAD 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 CAD 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 CAD 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 CAD 0.25 per Unit until February 14, 2025. Insider (and entities controlled by insiders) participated in the placement for a total of approximately CAD 175,000.

The Company announced on February 27th that it had closed the second and final tranche (the "Second Tranche") of its CAD 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 CAD 0.25 per Unit for gross proceeds of CAD 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 CAD 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 CAD 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 CAD 0.25 per Unit until February 21. 2025. Insiders participated in the placement for a total of approximately CAD 150,000.

Board of Directors Expansion

On February 27th, 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 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 (2024?). 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 30, 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, South Carolina, Georgia, and California. Both Circle-K Southeast and Andretti Petroleum have confirmed plans to launch TRUBAR in Q3 2023.

On February 1, 2024, the Company announced that, effective immediately, Kathy Casey has resigned as Chief Executive Officer and as a member of the Board of Directors (the "Board") to pursue new opportunities. The Company also announces that Paul Norman will step down from the post of Chairman of the Board while remaining an integral part of the Board as a Director. Concurrent with these changes, the Company announced the elevation of J.R. Kingsley Ward to Chairman of the Board as well as his appointment as Interim Chief Executive Officer until a permanent successor is named. Mr. Ward has more than 30 years' experience initiating, structuring and monetizing investments. He is currently a Managing Partner with VRG Capital which has a wealth of investing experience including active investments in consumer goods companies.
Mr. Ward also serves as Chairman of DATA Communications Management Corp. (TSX: DCM; OTCQX: DCMDF), one of Canada's leading marketing and brand management companies and as Chairman of HEALWELL AI (TSX:AIDX; OTCQX: HWAIF), a healthcare technology company focused on AI and data science for preventative care. In addition to his new roles with SBBC, Mr. Ward will continue to Chair the Board's Audit Committee. As part of the leadership changes announced today, current SBBC Board members Mr. Norman and Mr. Kellam will assume expanded strategic advisory roles overseeing the business of the Company. Mr. Norman and Mr. Kellam have deep experience

in the consumer goods industry, Mr. Norman with Kellogg's, and Mr. Kellam with Mars Inc. In addition, the Board will benefit from the capital markets and transaction advisory experience of Board Member Michael Galloro.

On February 29, 2024, the Company announced the further expansion of the TRUBAR relationship with Costco in a new national distribution launching on March 5, 2024. The selection of TRUBAR for inclusion in the latest Costco MVM promotion program marks the second national distribution for the brand following the introduction of TRUBAR in Costco warehouses in 2023 as part of the brand's strategy for continued multi-channel distribution growth. The promotion will feature TRUBAR "Oh oh cookie dough" and "Daydreaming about donuts" bars.

On March 5, 2024, the Company announced that it is continuing a review of strategic alternatives for the Company's PureKana cannabidiol (CBD) business. As part of the review of strategic alternatives, the Company and its advisors are evaluating the brand's performance, customer acquisition strategy, and long-term growth potential. There can be no assurance that the review of strategic alternatives will result in any particular outcome. The Board has not set a deadline or definitive timetable for completing the review process and the Company does not intend to comment further on the review process unless and until the Company determines that a disclosure is required by applicable securities laws.

On March 8, 2024, the Company announced the further expansion of TRUBAR in the convenience channel with the addition of Sheetz, a major mid-Atlantic convenience chain, as its newest retail brand partner. TRUBAR will be distributed chainwide across the +700 Sheetz outlets in Pennsylvania, West Virginia, Virginia, Maryland, Ohio, and North Carolina. The distribution will feature TRUBAR "Oh oh cookie dough," "Daydreaming about donuts" and "Smother Fudger Peanut Butter" bars.

On April 2, 2024, the Company announced that operations of its 50.1% owned subsidiary, PureKana, LLC ("PureKana"), are being suspended. PureKana plans to commence bankruptcy proceedings under Chapter 7 of the Bankruptcy Code of the United States as soon as practicable (the "Proceedings"). The decision to commence the Proceedings follows a comprehensive review over the last seven months by a special committee of the Company's Board of Directors and the Company's Board of Directors of SBBC's investment in PureKana. The strategic review included an evaluation of PureKana's performance, customer acquisition strategy and long-term growth potential, as well as a search for a buyer. "The special committee and our Board of Directors undertook a comprehensive review of PureKana's business and concluded that the business model, given the significant costs associated with acquiring and retaining customers, does not fit with SBBC's strategy for profitable growth," said SBBC Interim CEO J.R. Kingsley Ward. "The decision of previous management to continue investing in high-cost affiliate marketing programs in the CBD market did not meet our objectives for growth and profitability. As a result, SBBC can no longer support PureKana's operations and continued investment in PureKana is not considered to be in the best interests of SBBC and our shareholders."

In conjunction with the announcement, SBBC released preliminary full-year 2023 financial results, reporting revenues in the range of $80 - $85 million and gross profit of approximately 60% in 2023. While PureKana accounted for approximately half of SBBC's consolidated revenue in 2023, it also represented the majority of the Company's operating losses during such period. Additionally, SBBC's consolidated debt position is expected to benefit from the elimination of approximately $10M of debt owing by PureKana from the Company's financials as a result of the Proceedings.

SUMMARY OF QUARTERLY RESULTS

expressed in millions except for earnings (loss) per share	**December 31, 2023 $**	**September 30, 2023 $**	**June 30, 2023 $**	**March 31, 2023 $**
Revenue	12.30	19.40	23.60	24.60

Gross margin ($)	6.60	12.70	13.70	13.90
Gross margin (in %)	54%	65%	58%	57%
Net income (loss)	(14.60)	(0.60)	(6.30)	(2.70)
- Basic	(0.19)	(0.01)	(0.09)	(0.05)
- Diluted	(0.19)	(0.01)	(0.09)	(0.05)

expressed in millions except for earnings (loss) per share	**December 31, 2022** $	**September 30, 2022** $	**June 30, 2022** $	**March 31, 2022** $
Revenue	23.00	13.40	16.90	12.10
Gross margin ($)	16.10	8.80	11.70	8.00
Gross margin (in %)	70%	66%	69%	66%
Net income (loss)	(5.40)	(1.40)	(2.80)	(3.30)
- Basic	(0.13)	(0.03)	(0.10)	(0.10)
- Diluted	(0.13)	(0.03)	(0.10)	(0.10)

The net loss of $14.6 million for the fourth quarter of 2023 increased by $13.9 million over the loss in the third quarter of 2023 is primarily related to the increase other expenses ($12 million) and a decrease in gross profit ($6.1 million) which was offset by a reduction in operating expenses ($4 million) in the fourth quarter of 2023 compared to the third quarter of 2023. The increase in other expenses in the fourth quarter of 2023 is driven by the impairment of goodwill ($10.9 million).

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 of $2.7 million 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 of $5.4 million 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.

The net loss of 1.4 million 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 fourth quarter of 2022.

The net loss of $2.8 million 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 of $3.3 million 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.

SELECTED FINANCIAL INFORMATION

	For the year ended		
expressed in millions except for earnings (loss) per share	**December 31, 2023** **$**	**December 31, 2022** **$**	**December 31, 2021** **$**
Revenue	79.90	65.40	15.60
Gross margin ($)	46.90	44.60	9.70
Gross margin (in %)	59%	68%	62%
Net income (loss)	(24.30)	(12.30)	(12.80)
- Basic	(0.32)	(0.36)	(0.57)
- Diluted	(0.32)	(0.36)	(0.57)

	As at		
expressed in millions except for dividend per share	**December 31, 2023** **$**	**December 31, 2022** **$**	**December 31, 2021** **$**
Total assets	19.50	36.60	21.80
Total non-current financial liabilities	0.60	1.00	4.30

Revenue increased in 2023 by $14.5 million or 22% driven by an increase in sales with Tru Brands Inc. ($14.1 million). Revenue significantly expanded in 2023 in two key areas, (1) online sales of the Purekana brand and (2) significant increases in Tru Brands sales. Revenue increased in 2022 by $49.8 million. Revenues for 2020 were $13.9 million and increased in 2021 to $15.6 million primarily due to the acquisition of Tru Brands Inc. and No BS Life LLC. Gross margins have been maintained across the three years of reporting 2020-2022 in the 62-68% range. Brands such as Tru have lower margins as they sell the majority of their products are sold to retailers (30-40%) whereas online brands such as Purekana, BRN, and No BS achieve margins in the 70-80% range.

Operating expenses increased in 2023 over 2022 with the increase in sales realized in 2023. Operating expenses increased in 2022 over 2021 with the major expansion of the sales realized in 2022. Operating expenses increased in 2021 over 2020 driven by higher marketing expenditures as Purekana launched a new customer marketing campaign in the fourth quarter of 2021. Additionally, SBBC approved a stock compensation plan at its annual shareholder meeting and the first grant was approved by the Board in 2021. There was stock based compensation of $5.6 million within 2021 operating expenses (29%) that was not in the 2020 financials.

The net income (loss) in 2023 expanded by $12.0 million driven by impairment of goodwill ($10.9 million). The net income (loss) decreased in 2022 over 2021 primarily due to lower other expenses in 2022. The net income (loss) increased in 2021 over 2020 by $10.8 million. 44% of the increased net loss increase in 2021 was related to noncash stock compensation expense of $5.6 million and 20% of the increased net loss were related to non-cash impairment charges of $2.5 million.

Total assets decreased by 17.1 million in 2023 from 2022 driven by the impairment of goodwill and amortization of the intangible assets ($15.7 million reduction in 2023). Total assets have increased from $21.8 million in 2021 to $36.6 million in 2022. This growth in assets was driven by acquisitions that the company made in 2022 and 2021 with the acquisition of No BS Life LLC in February 2021, Nirvana LLC in April 2021, Tru Brands Inc in August 2021, Herve Edibles Limited in March 2022 and BRN Group Inc. in April 2022.

Total non-current liabilities have increased in 2023 compared to 2022 by $0.4 million. Total non-current liabilities have decreased in 2022 compared to 2021 by $4.3 million with the reduction in promissory notes and convertible debentures. Total non-current liabilities have decreased in 2021 compared to 2020 by $17 million. Total non-current liabilities decreased in 2021 with the conversion of preferred shares into common shares during the year as well as the reclassification of the $10.1 million Mainstreet Loan from a long-term liability to a current liability.

RESULTS OF OPERATIONS

	For the three months ended					
	December 31, 2023		December 31, 2022		Change	
*expressed in millions **	$	% (in terms of revenue)	$	% (in terms of revenue)	$	%
Revenue	12.30	100%	23.00	100%	(10.70)	(47%)
Cost of goods sold	(5.60)	(46%)	(6.90)	(30%)	1.30	(19%)
Gross profit	**6.70**	**54%**	**16.10**	**70%**	**(9.40)**	**(58%)**

Fourth Quarter December 31, 2023 – Revenue

The Company's operates three segments in its business. Protein Bars (Trubar), Skin Care (No BS) and CBD (PureKana & BRN). Revenue for the fourth quarter of 2023 was $12.3 million, a decrease of $10.7 million or 47% reduction compared to $23.0 million in the fourth quarter of 2022. PureKana's fourth quarter revenue for the three months ended December 31, 2023, was $10.6 million compared to $17.7 million for the comparable period in 2022 (decrease of $7.1 million or 40%). PureKana's revenue decrease was driven by Management's focus on improved profitability at Purekana instead of topline growth. Tru's fourth quarter revenue for the three months ended December 31, 2023, was $1.0 million compared to $3.4 million for the comparable period in 2022 (decrease of $2.4 million or 70%). The main reason for the decrease was a delay in shipping of a portion of the national order from the fourth quarter into the first quarter of 2024 (approximately $3 million). No BS's fourth quarter revenue for the three months ended December 31, 2023, was $0.6 million compared to $0.3 million for the comparable period in 2022 (increase of $0.3 million or 100%). BRN's (Vibez and Seventh Sense) fourth quarter revenue for the three months ended December 31, 2023, was $0.4 million, compared to $1.6 million in the fourth quarter of 2022 (decrease of $1.2 million or 75%).

Fourth Quarter December 31, 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 three months ending December 31, 2023, relative to the comparable period in 2022 by 16 percentage points. SBBC's cost of sales in the fourth quarter was 46%, comparable to the prior period 2022 at 30%. 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") 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 $5.6 million in the fourth quarter of 2023 (46% of revenues) compared to $6.9 million (30% of revenues) in the comparable period.

Fourth Quarter December 31, 2023 – Gross profit

Gross profit for the fourth quarter of 2023 was $6.7 million (54%) compared to $16.1 million (70%) in the fourth quarter of 2022.

	For the years ended				Change	
	December 31, 2023		December 31, 2022			
*expressed in millions **	$	% (in terms of revenue)	$	% (in terms of revenue)	$	%
Revenue	79.90	100%	65.40	100%	14.50	22%
Cost of goods sold	(33.00)	(41%)	(20.85)	(32%)	(12.15)	58%
Gross profit	**46.90**	**59%**	**44.60**	**68%**	**2.40**	**5%**

Year Ended December 31, 2023 – Revenue

The Company's operates three segments in its business. Protein Bars (Trubar), Skin Care (No BS) and CBD (PureKana & BRN). Revenue for the twelve months ending December 31, 2023, was $79.9 million, an increase of $14.5 million or 22% growth compared to $65.4 million in the comparable period in 2022. PureKana's revenue for the twelve months ending December 31, 2023, was $48.2 million compared to $50.3 million for the comparable period in 2022 (decrease of $2.1 million or 4%). Tru's revenue for the twelve months ending December 31, 2023, was $24.7 million compared to $10.6 million for the comparable period in 2022 (increase of $14.1 million or 133%). Tru's gross revenue before MVM coupon expenses that were netted against the $24.7 reported revenue was $27.5 million or 160% growth against $10.6 million in revenue for 2022. 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 twelve months ending December 31, 2023, was $2.1 million compared to $2.1 million for the comparable period in 2022. BRN (Vibez and Seventh Sense) revenue for the twelve months ending December 31, 2023, was $4.9 million compared to $2.4 million in the comparable period in 2022.

Year Ended December 31, 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 twelve months ending December 31, 2023, relative to the comparable period in 2022 by 9 percentage points due to a higher mix of lower margin retails sales (30% 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") 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 $33.0 million for the twelve months ending December 31, 2023 (41% of revenues) compared to $20.9 million (32% of revenues) in the comparable period in 2022.

Year Ended December 31, 2023 – Gross profit

Gross profit for the twelve months ending December 31, 2023, was $46.9 million (59%) compared to $44.6 million (68%) in the comparable period in 2022. The gross profit margin was down 9 percentage points for the twelve months ending December 31, 2023, over the gross profit in the comparable period driven by a higher mix of lower margin B2B sales for the twelve months ending December 31, 2023.

Fourth Quarter December 31, 2023 – Operating Expenses

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

	For the three months ended					
	December 31, 2023		December 31, 2022		Change	
*expressed in millions **	$		$		$	%
Expenses						
Amortization	0.70	7%	3.30	17%	(2.60)	(79%)
Consulting fees	-	-	0.10	1%	(0.10)	(100%)
Customer service support	1.40	14%	0.90	5%	0.50	56%
General and administrative expenses	0.60	6%	0.10	1%	0.50	500%
Impairment of inventories	(0.10)	(1%)	0.20	1%	(0.30)	(150%)
Marketing expenses	5.50	54%	13.00	63%	(7.50)	(58%)
Professional fees	0.30	3%	0.20	1%	0.10	50%
Salaries and wages	1.20	12%	1.40	7%	(0.20)	(14%)
Share-based payments	0.40	4%	0.80	4%	(0.40)	(50%)
Miscellaneous	0.10	1%	-	-	0.10	100%
Total expenses	**10.10**	**100%**	**20.00**	**100%**	**(9.90)**	**(50%)**

Operating costs for the fourth quarter of 2023 were $10.1 million, a decrease of $9.9 million (or 50%), compared to $20.0 million in the fourth quarter of 2022.

The majority of the operating costs increase incurred in the three months ended December 31, 2023, were marketing expenses ($5.5 million for Q4 or 54% of operating expenses) Marketing was down $7.5 million from the comparable period in 2022 driven by lower sales at Purekana and Vibez (41% lower DTC sales in the fourth quarter). There are three main categories of marketing expenses. They are (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 fourth quarter of 2023, online advertising accounted for 78% of the marketing expenses compared to 83% in the comparable period in 2022. In the fourth quarter of 2023, email marketing and social media accounted for 6% compared to 11% in the comparable period in 2022. DTC sales in the fourth quarter of 2023 were 41% lower than DTC revenues in the comparable period 2022. Marketing expenses related to DTC were down by $4.1 million in the fourth quarter of 2023 compared to those in the fourth quarter of 2022 due to the 41% lower DTC sales in the fourth quarter of 2023 compared to the prior period.

In the fourth quarter of 2023, retailer promotional allowances accounted for 16% of marketing expenses compared to 4% in the comparable period in 2022.

Non-cash items of $1.1 million (Share-based payments of $0.4 million and amortization of $0.7 million) represented 11% of the operating expenses and were $3.0 million lower than the prior year ($4.1 Million).

Customer services support represented 14% of operating expenses for the three months ended December 31, 2023 ($1.4 million) and increased $0.5 million or 56% over the prior year ($0.9 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) decreased 49% over the prior period on lower sales in the fourth quarter compared to the prior period. Category (2) increased $0.8 million during the fourth quarter 2023 compared to the prior period in 2022 and is the main reason for the increase of $0.5 million. This technology had begun implementation in the fourth 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.

Professional fees were $0.3 million for the three months ended December 31, 2023, compared to the prior year ($0.2 million).

Salaries and Wages were $1.2 million in the fourth quarter of 2023 represent 12% of total expenses and decreased $0.2 million from the prior year ($1.4 million) as a result of headcount reductions made in the Herve and BRN acquisitions as the Company sought operating synergies post-acquisition.

Year Ended December 31, 2023 – Operating Expenses

	For the years ended					
	December 31, 2023		December 31, 2022		Change	
*expressed in millions **	$		$		$	%
Expenses						
Amortization	3.80	7%	4.70	9%	(0.90)	(19%)
Consulting fees	-	-	0.10	-	(0.10)	(100%)
Customer service support	4.60	8%	2.40	4%	2.20	92%
Depreciation	-	-	0.10	-	(0.10)	(100%)
General and administrative expenses	2.20	4%	1.60	3%	0.60	38%
Impairment of accounts receivable	0.20	-	0.10	-	0.10	100%
Impairment of inventories	0.10	-	0.20	-	(0.10)	(50%)
Marketing expenses	39.00	68%	34.30	63%	4.70	14%
Professional fees	1.40	2%	2.00	4%	(0.60)	(30%)
Regulatory and filing fees	0.10	-	0.20	-	(0.10)	(50%)
Salaries and wages	4.20	7%	4.40	8%	(0.20)	(5%)
Share-based payments	2.00	3%	4.30	8%	(2.30)	(53%)
Travel and entertainment	-	-	0.10	-	(0.10)	(100%)
Miscellaneous	-	1%	-	1%	-	-
Total expenses	**57.60**	**100%**	**54.50**	**100%**	**3.10**	**6%**

Operating costs for the twelve months ending December 31, 2023 were $57.6 million, an increase of $3.1 million (or 6%), compared to $54.5 million in the comparable period in 2022.

The majority of the operating costs increase incurred in the twelve months ended December 31, 2023, were marketing expenses ($39.0 million for 12 months or 68% of operating expenses) and they increased $4.7 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 (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 twelve months ending December 31, 2023, online advertising accounted for 84% of the marketing expenses compared to 83% in the comparable period in 2022. For the twelve months ending December 31, 2023, email marketing and social media accounted for 7% compared to 7% in the comparable period in 2022. DTC sales for the twelve months ending December 31, 2023, were up $0.4 million compared to DTC revenues in the comparable period 2022. Marketing expenses related to DTC were up by $4.1 million for the twelve months ending December 31, 2023, compared to those in the comparable period of 2022.

For the twelve months ending December 31, 2023, retailer promotional allowances accounted for 7% compared to 5% in the comparable period in 2022. The increase in this category of $3.4 million for the twelve months ending December 31, 2023, was directly related to the increase in B2B sales in 2023 compared to 2022.

Non-cash items of $5.8 million (Share-based payments of $2.0 million and amortization of $3.8 million) represented 10% of the operating expenses and decreased $3.2 million from the prior year. The primary reason for the decline was due to share based payments. Share based payments were lower by $2.3 million for the twelve months ending December 31, 2023 ($2.0 million) compared to the prior period ($4.3 million). The $2.3 million was lower due to a significant decrease in the fair value of options that are now recognized in share-based payment expenses. 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 decreased $0.8 million compared to the prior year as the asset base of the intangibles has been partially written off by year-end 2022. The Company typically writes the customer relationship, trademarks and other intangibles from acquisitions over a three-year period.

Customer services support represented 8% of operating expenses for the twelve months ending December 31, 2023 ($4.6 million) and increased $2.2 million or 92% over the prior year ($2.4 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 17% or $0.2 million over the prior period on flat sales in the twelve months ended compared to the prior period. Part of the increase in the twelve-month period costs in 2023 were due to more time agents spent working on sales activities compared to the prior period. Category (2) increased $1.8 million during the twelve months ended December 31, 2023, compared to the prior period in 2022 and is the main reason for the increase of $2.4 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.

Professional fees reduced $0.6 million to $1.4 million for the twelve months ending December 31, 2023, compared to the prior year ($2.0 million). The $0.6 million reduction was driven by lower audit fees ($0.2 million) and lower consulting fees ($0.4 million) and offset by higher legal fees ($0.1 million).

General and administrative expenses increased by $0.6 million for the twelve months ending December 31, 2023 ($2.2 million) compared to the prior year ($1.6 million). The increase was driven by the higher brokerage fees related to Tru's B2B business for the twelve months ending December 31, 2023.

Fourth Quarter December 31, 2023 – Other income (expenses)

	For the three months ended					
	December 31, 2023		December 31, 2022		Change	
*expressed in millions **	$		$		$	%
Expenses						
Fair value adjustment of derivative liability	0.10	(1%)	-	-	0.10	100%
Finance costs	(0.60)	5%	(0.50)	20%	(0.10)	20%
Gain on remeasurement of warrant liabilities	1.30	(12%)	-	-	1.30	100%
Grant and other assistance	-	-	(0.10)	4%	0.10	(100%)
Impairment of goodwill	(10.90)	97%	-	-	(10.90)	100%
Impairment of intangible assets	(0.80)	7%	(1.60)	64%	0.80	(50%)
Impairment of plant and equipment	-	-	(0.20)	8%	0.20	(100%)
Write-off of advance payments	(0.20)	2%	(0.10)	4%	(0.10)	100%
Total other income (expenses)	**(11.20)**	**100%**	**(2.50)**	**100%**	**(8.70)**	**348%**

Other expenses for the fourth quarter 2023 were $11.2 million compared to other expenses of $2.5 million in the fourth quarter of 2022 or an increase of $8.7 million. The main components in the fourth quarter of 2023 for other income and expenses were impairment of goodwill of $10.9 million, finance costs of $0.6 million and gain on remeasurement of warrant liabilities of $1.3 million.

Year Ended December 31, 2023 – Other income (expenses)

	For the years ended					
	December 31, 2023		December 31, 2022		Change	
*expressed in millions **	$		$		$	%
Expenses						
Acquisition-related costs	-	-	(0.50)	13%	0.50	(100%)
Fair value adjustment of derivative liability	0.20	(1%)	0.10	(3%)	0.10	100%
Finance costs	(2.30)	17%	(1.40)	40%	(0.90)	64%
Foreign exchange loss	(0.20)	1%	(0.10)	3%	(0.10)	100%
Gain on remeasurement of warrant liabilities	1.00	(7%)	-	-	1.00	100%
Gain on settlement of the milestone shares	-	-	0.40	(11%)	(0.40)	(100%)
Grant and other assistance	-	-	0.30	(9%)	(0.30)	(100%)
Impairment of goodwill	(10.90)	80%	-	-	(10.90)	100%
Impairment of intangible assets	(1.00)	7%	(1.60)	46%	0.60	(38%)
Impairment of plant and equipment	-	-	(0.20)	6%	0.20	(100%)
Write-off of advance payments	(0.30)	2%	(0.50)	14%	0.20	(40%)
Miscellaneous	(0.10)	1%	-	1%	(0.10)	100%
Total other income (expenses)	**(13.60)**	**100%**	**(3.50)**	**100%**	**(10.10)**	**289%**

Other expenses for the twelve months ending December 31, 2023, were $13.6 million compared to other expenses of $3.5 million in the comparable period of 2022 or an increase of $10.1 million. The main components for the twelve months ending December 31, 2023, for other income and expenses were impairment of goodwill of $10.9 million, and finance costs of $2.3 million and other income from gain on remeasurement of warrant liabilities of $1.0 million.

(Expressed in United States Dollars unless otherwise specified)

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.

"EBITDA" is calculated as earnings before interest, taxes, depreciation, depletion and amortization. "Adjusted EBITDA" is calculated as EBITDA adjusted for non-cash, extraordinary, non-recurring and other items unrelated to the Company's core operating activities.

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 December 31, 2023, and 2022, and a reconciliation of same to net income (loss):

	For the three months ended		Change in	
	December 31, 2023	December 31, 2022		
	$	$	$	%
Net loss	**(14.60)**	**(5.40)**	**(9.20)**	63%
Amortization	0.70	3.30	(2.60)	(371%)
Finance costs	0.60	0.50	0.10	17%
Income tax recovery	-	(1.00)	1.00	100%
EBITDA	**(13.30)**	**(2.60)**	**(10.70)**	
Fair value adjustment of derivative liability	(0.10)	-	(0.10)	100%
Impairment of intangible assets	0.80	1.60	(0.80)	(100%)
Impairment of goodwill	10.90	-	10.90	100%
Impairment of inventories	(0.10)	0.20	(0.30)	300%
Impairment of plant and equipment	-	0.20	(0.20)	100%
Share-based payments	0.40	0.80	(0.40)	(100%)
Consulting fees to be paid by shares	-	0.30	(0.30)	100%
Shares issued for services	-	(0.10)	0.10	100%
Warrants issued for services	-	0.10	(0.10)	100%
Write-off of advance payments	0.20	0.10	0.10	50%
Non-recurring expenses	0.40	-	0.40	100%
Adjusted EBITDA	**(0.80)**	**0.60**	**(1.40)**	

The Company had an Adjusted EBITDA loss of $0.8 million for the three months ended December 31, 2023, a $1.4 million reduction over the Adjusted EBITDA achieved in the comparable period in 2022. The reduction in Adjusted EBITDA was due to the lower sales and gross profit in the fourth quarter of 2023 compared to the prior year's sales and gross profit.

(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 twelve months ending December 31, 2023, and 2022, and a reconciliation of same to net income (loss):

	For the years ended		Change in	
	December 31, 2023	December 31, 2022		
	$	$	$	%
Net loss	**(24.30)**	**(12.30)**	**(12.00)**	49%
Amortization	3.80	4.70	(0.90)	(24%)
Depreciation	-	0.10	(0.10)	100%
Finance costs	2.30	1.40	0.90	39%
Income tax recovery	-	(1.00)	1.00	100%
EBITDA	**(18.20)**	**(7.10)**	**(11.10)**	
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	(0.20)	(0.10)	(0.10)	50%
Impairment of intangible assets	1.00	1.60	(0.60)	(60%)
Impairment of goodwill	10.90	-	10.90	100%
Impairment of inventories	0.10	0.20	(0.10)	(100%)
Impairment of plant and equipment	-	0.20	(0.20)	100%
Impairment of receivable	0.20	0.10	0.10	50%
Gain on settlement of the milestone shares	-	(0.40)	0.40	100%
Share-based payments	2.00	4.30	(2.30)	(115%)
Consulting fees to be paid by shares	-	0.30	(0.30)	100%
Shares issued for services	-	0.40	(0.40)	100%
Warrants issued for services	-	0.10	(0.10)	100%
Write-off of advance payments	0.30	0.50	(0.20)	(67%)
Non-recurring expenses	1.20	-	1.20	100%
Adjusted EBITDA	**(2.70)**	**0.50**	**(3.20)**	

The Company had an Adjusted EBITDA loss of $2.7 million for the twelve months ending December 31, 2023, a decrease of $3.2 million over the Adjusted EBITDA of $0.5 million for the comparable period in 2022. The primary driver for the increased Adjusted EBITDA loss of $2.7 million for the twelve months ending December 31, 2023, is the increase in cash operating expenses ($6.2 million) which were offset by increased gross profits ($2.3 million) and non-recurring expenses ($1.2 million) compared to the prior period in 2022. The biggest contributor to the Adjusted EBITDA loss was Purekana for the twelve months ended December 31, 2023. On a stand-alone basis, Purekana was the biggest driver of the EBITDA loss before non-recurring expenses. Purekana's 2023 EBITDA loss was $4.1 million compared to TRU's positive EBITDA of $1.0 million during the year. The other divisions did not contribute materially to the Adjusted EBITDA loss for the year.

LIQUIDITY AND CAPITAL RESOURCES

As at	December 31, 2023	December 31, 2022
*expressed in millions **	$	$
ASSETS		
Current assets		
Cash and cash equivalents	2.30	2.30
Restricted cash	0.30	-
Accounts receivable	2.40	4.60
Other receivable	0.10	0.10
Prepaid expenses	2.80	4.50
Inventory	6.20	3.60
Total current assets	**14.10**	**15.10**
Non-current assets	**5.40**	**21.40**
TOTAL ASSETS	**19.50**	**36.50**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	6.80	6.10
Deferred revenue	0.60	-
Current portion of derivative liability	-	0.20
Amount due to the revolving credit facilities	7.00	4.30
Current portion of loan payable	10.40	10.30
Current portion of promissory note	0.90	1.80
Current portion of convertible notes	0.50	1.70
Warrant liabilities	0.30	-
Total current liabilities	**26.50**	**24.40**
Non-current liabilities	**0.60**	**1.00**
TOTAL LIABILITIES	**27.10**	**25.40**
WORKING CAPITAL (DEFICIENCY)	**(12.40)**	**(9.30)**

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 $2.3 million as of December 31, 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 $12.4 million as of December 31, 2023 ($3.1 million increase). Working capital deficiency included the Mainstreet loan ($10.4 million) which is classified as current whereas the term of the loan is 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. Purekana was in discussions with the financial institution to restructure that Mainstreet loan payment into several installments to be paid in 2024 at year-end. This loan has several covenants including annual and quarterly reporting and debt service coverage. It has been classified as current as a result of the noncompliance with the debt service covenant. Also see subsequent events in the financial statements concerning the status of the Company's Purekana subsidiary and the Mainstreet loan (Purekana, LLC filed for Chapter 7 bankruptcy on April 3, 2024).

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.

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 twelve months ended December 31, 2023. For more information of the line of credit facilities please refer to note 10 in the audited financial statements for the year ended December 31, 2023. During the twelve months ended December 31, 2023, the Company raised over $18.1 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 $16.1 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 December 31, 2023, the Company reduced the balance of promissory notes outstanding by approximately $1.0 million (see note 13 in the financial statements for the year ended December 31, 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 December 31, 2023, is $1.45 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		
	December 31, 2023	December 31, 2022	Change
expressed in millions	$	$	$
Cash flow used in operating activities	(2.40)	(1.70)	(0.70)
Cash flow provided by (used in) investing activities	-	(0.30)	0.30
Cash flow provided by (used in) financing activities	1.40	2.50	(1.10)
Increase (decrease) in cash	**(1.00)**	**0.50**	**(1.50)**

	For the years ended		
	December 31, 2023	December 31, 2022	Change
expressed in millions	$	$	$
Cash flow used in operating activities	(3.40)	(4.80)	1.40
Cash flow provided by (used in) investing activities	-	3.30	(3.30)
Cash flow provided by (used in) financing activities	3.30	1.50	1.80
Increase (decrease) in cash	**(0.10)**	**-**	**(0.10)**

Fourth 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		
	December 31, 2023	December 31, 2022	Change
expressed in millions	$	$	$
Net loss	(14.60)	(5.40)	(9.20)
Adjustments for items not affecting cash:	12.20	6.00	6.20
Net changes in non-cash working capital items:	-	(2.30)	2.30
Increase (decrease) in cash	**(2.40)**	**(1.70)**	**(0.70)**

Cash used in operating activities was $2.4 million in the fourth quarter of 2023, compared to cash flow used of $1.7 million in the fourth quarter of 2022 or an increase of $0.7 million. This increase of $0.7 million was the result of (1) cash used in operating activities after adjusting for items not affecting cash of $2.4 million during the fourth quarter of 2023 compared to $0.6 million generated in the prior period ($3.0 million increase in cash used) and (2) cash used in non-cash working capital of $0.0 million in the fourth quarter of 2023 compared to the non-cash working capital of $2.3 million used in the fourth quarter of 2022 ($2.3 million decrease in cash used).

	For the years ended		
	December 31, 2023	December 31, 2022	Change
expressed in millions	$	$	$
Net loss	(24.30)	(12.30)	(12.00)
Adjustments for items not affecting cash:	19.10	12.70	6.40
Net changes in non-cash working capital items:	1.80	(5.20)	7.00
Increase (decrease) in cash	**(3.40)**	**(4.80)**	**1.40**

Cash used in operating activities was $3.4 million for the twelve months ending December 31, 2023, compared to cash flow used of $4.8 million in the comparable period in 2022 or a decrease of $1.4 million. This decrease of $1.4 million was the result of (1) cash used in operating activities after adjusting for items not affecting cash of $5.2 million during the twelve months December 31, 2023 compared to $0.4 million generated in the prior period ($5.6 million increase) and (2) cash generated from non-cash working capital of $1.8 million for the twelve months ending

December 31, 2023 compared to the non-cash working capital of $5.2 million used in the comparable period of 2022 ($7.0 million decrease).

<u>Fourth quarter 2023 Cash flow from (used in) investing activities.</u>

Cash from investing activities was $nil in the fourth quarter of 2023, compared to $0.3 million in the fourth quarter of 2022.

<u>Year Ended December 31, 2023, Cash flow from (used in) investing activities.</u>

Cash from investing activities was $nil for the twelve months ending December 31, 2023, compared to $3.3 million in 2022 or a decrease of $3.3 million.

<u>Fourth quarter 2023 Cash flow from (used in) financing activities.</u>

Cash flow generated from financing activities was a net $1.4 million in the fourth quarter of 2023 was related to net loan advances and repayments compared to cash generated from financing activities of $2.5 million in the fourth quarter of 2022.

<u>Year Ended December 31, 2023, Cash flow from (used in) financing activities.</u>

Cash flow generated from financing activities was a net $3.3 million for the twelve months ending December 31, 2023, was related to cash generated from equity financing of $5.0 million a net increase in proceeds from credit lines and promissory notes of $2.5 million which were offset by a reduction in promissory notes of $2.5 million and a repayment of convertible debentures of $1.7 million compared to cash generated from financing activities of $1.5 million in the comparable period of 2022.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 72,972,370 common shares (December 31, 2022 – 42,488,379) common shares issued and outstanding.

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.

<u>During the year ended December 31, 2023</u>

<u>Common shares</u>

- 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 an allocated fair value of $0.14 and one-half of one common share purchase warrant with an allocated fair value of $0.09 per whole warrant. 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 12).

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 (each a "Unit") entitles the holder to purchase one common share (each a "Warrant Share") and one-half of one common share purchase warrant (each whole warrant a "Unit Warrant") at an exercise price of CA$0.25 per Unit until the expiry date. Each Unit Warrant entitles the holder to purchase one common share at an exercise price of CA$0.45 per Warrant Share until the expiry date. Each Unit and Unit Warrant are exercisable 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 $190,069 were allocated the 2023 Warrants and recognized as finance costs in consolidated statements of loss and comprehensive losses, based on the relative fair values of the common shares and the 2023 Warrants.

- Issued 148,925 common shares to settle $29,380 payables which included in the accounts payable and accrued liabilities as of December 31, 2022.

- The Company issued 1,001,043 common shares with a fair value of $2,331,866 for the restricted share unit.

- The Company issued 663,374 common shares with a fair value of $154,973 pursuant to the Earnout Agreement. 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.

- 34,668 options cancelled and 84,332 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 December 31, 2023 and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

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

During the year ended December 31, 2023, the key management compensation was:

- Salaries and benefits – $887,148 (December 31, 2022 – $519,616)
- Share-based payments – $1,596,705 (December 31, 2022 – $3,517,609)
- The Company paid consulting fees to a company that one of SBBC's directors is the CEO in the amount of CAD 35,000.

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

During the year ended December 31, 2023

The Company issued the following options and RSUs to its directors and officers:

- 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 year ended December 31, 2022

The Company issued the following RSUs to its directors and officers:

- 500,000 RSUs with fair value of $1,917,000 to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.

- 285,000 RSUs with fair value of $1,092,690 to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.

- 50,000 RSUs with fair value of $191,700 to its director. All RSUs granted vest on the first anniversary.

- 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.

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

(Expressed in United States Dollars unless otherwise specified)

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, 2023 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, 2023 that impacted these consolidated financial statements.

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:

	December 31, 2023	FVTPL	Amortized costs	FVTOCI
	$	$	$	$
FINANCIAL ASSETS				
ASSETS				
Cash	2,330,382	-	2,330,382	-
Restricted cash	325,000	-	325,000	-
Accounts receivable	2,367,447	-	2,367,447	-
Other receivable	129,468	-	129,468	-
Deposits	1,534	-	1,534	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,790,477)	-	(6,790,477)	-
Derivative liability	(8,862)	(8,862)	-	-
Amount due to the revolving credit facilities	(7,047,616)	-	(7,047,616)	-
Loan payable	(10,404,928)	-	(10,404,928)	-
Current portion of promissory note	(906,337)	-	(906,337)	-
Current portion of convertible notes	(529,510)	-	(529,510)	-
Warrant liabilities	(347,456)	(347,456)	-	-
Promissory note	(552,391)	-	(552,391)	-

(Expressed in United States Dollars unless otherwise specified)

	December 31, 2022	FVTPL	Amortized costs	FVTOCI
	$	$	$	$
FINANCIAL ASSETS				
ASSETS				
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	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,122,385)	-	(6,122,385)	-
Derivative liability	(175,122)	(175,122)	-	-
Amount due to the revolving credit facilities	(4,319,340)	-	(4,319,340)	-
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.
Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3 – Unobservable (supported by little or no market activity) prices.

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

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets and liabilities at fair value through profit or loss as of December 31, 2023 and 2022 are shown below:

		Estimated fair value		
	December 31, 2023	Level 1 $	Level 2 $	Level 3 $
Derivative liability	(8,862)	-	-	(8,862)
Warrant liabilities	(347,456)	-	-	(347,456)

		Estimated fair value		
	December 31, 2022	Level 1 $	Level 2 $	Level 3 $
Derivative liability	(175,122)	-	-	(175,122)

The financial instrument recorded at fair value on the statement of financial position is derivative liability and warrant liabilities which are 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 12 and 15 for further disclosures.

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

Financial risk management

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

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

- Price risk

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

- Interest rate risk

  The Company's interest rate risk principally arises from fluctuations in the SOFR as it relates to the Company's loan payable. A 1% change in the SOFR rate would result in approximately a $100,000 impact on the Company's profit or loss for year ended December 31, 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

(Expressed in United States Dollars unless otherwise specified)

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. As at December 31, 2023, the Company's credit risk is low as the Company has collected the majority of accounts receivable subsequently.

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of December 31, 2023, the Company had cash of $2,330,382 to meet short-term business requirements. As of December 31, 2023, the Company had current liabilities of $26,627,184.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	December 31, 2023 $	Less than 1 year $	1 to 2 years $	3 to 5 years $	More than 5 years $
Non-derivative liability					
Accounts payable and accrued liabilities	6,790,477	6,790,477	-	-	-
Amount due to the revolving credit facilities	7,047,616	7,047,616	-	-	-
Loan payable	10,511,161	10,511,161	-	-	-
Promissory note	1,773,504	1,219,002	439,306	115,196	-
Convertible notes	901,874	901,874	-	-	-
		26,470,130	**439,306**	**115,196**	**-**

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 audited annual consolidated financial statements for the year ended December 31, 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.

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 audited consolidated financial statements for the twelve months ending December 31, 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

An investment in the Company is subject to various risks and should be considered highly speculative. Investors should consider the following risk factors. The risks and uncertainties described below are not exhaustive. Additional risks not presently known or currently deemed immaterial may also impair the Company and its subsidiaries business operation. If any of the events described in the following business risks actually occur, overall business, operating results and the financial condition of Company and its subsidiaries could be materially adversely affected.
Risks Related to the Regulatory Environment

Changes to Federal Laws Pertaining to Hemp and Hemp Production

The 2018 Farm Bill removed Hemp from the definition of marijuana in the CSA. Federal regulations under the 2018 Farm Bill were promulgated in the Interim Final Rule ("IFR") issued by the USDA with respect to commercial production of Hemp in the United States. There is a risk that the Company's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal or state authorities. A successful challenge to such position by a state or federal authority could have a material adverse effect, including civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications.

Changes to State Hemp Production Laws

The 2018 Farm Bill provides that states and Native American tribes may assume primary regulatory authority over the production of Hemp in their jurisdictions through a Hemp production plan approved by the USDA. Continued development of the Hemp industry will be dependent upon new legislative authorization of Hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the Hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action at the state and federal levels, numerous factors may impact or negatively affect the legislative process(es) within the various states Company negatively impact Company's business or growth, including possibly causing the Company to discontinue operations as a whole.

Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by US federal, state and local governments (or discretion exercised thereby) also represent significant risks to the Company's business activities. Possible risks include, but are not limited to:

- positions asserted by the FDA concerning products containing derivatives from hemp;
- uncertainty surrounding the characterization of cannabinoids as a dietary ingredient by the FDA; and
- enforcement activities by state and/or local law enforcement and regulatory authorities under the auspice of individual state law, regardless of any potential conflict thereby with federal law.

If the Company's operations are found to be in violation of any such laws or any other governmental regulations, or if applicable laws or regulations change or the enforcement of applicable laws or regulations changes, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures, any of which could adversely affect the Company's business and financial results.

Risks Associated with Numerous Laws and Regulations

The production, labeling and distribution of the products that the Company distributes are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future. The FDA regulates consumable products and the 2018 Farm Bill explicitly preserved FDA's authority over hemp products. The Company is subject to regulation by various agencies as a result of the sale of its hemp-based CBD Seventh Sense products. The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations relating to particular products are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, the Company may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of FDA jurisdiction, but which may rely on the positions of the FDA in the application of its regulatory regime), any of which could adversely affect Company's business and financial results. Failure to comply with state and federal requirements, may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. To the extent FDA regulations apply and products are classified as dietary supplements, such products are subject to regulation by the FDA. The Company's advertising is also subject to regulation by the Federal Trade Commission ("FTC") under the Federal Trade Commission Act. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which would materially impact the Company's business. Additionally, some states also permit consumer protection laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, and class wide damages for products sold by the Company. Private litigants may also seek relief for consumers, class action certifications, and class wide damages for products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Compliance with Changes in Legal, Regulatory and Industry Standards

The formulation, manufacturing, packaging, labelling, handling, distribution, importation, exportation, licensing, sale and storage of the Company's products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, provincial or local levels. There is currently no uniform regulation applicable to hemp-based CBD products worldwide. There can be no assurance that the Company is in compliance with all of these laws, regulations and other constraints, and changes to such laws, regulations and other constraints may have a material adverse effect on operations.

Inconsistent Application of the 2018 Farm Bill

The 2018 Farm Bill removed Hemp from the CSA and, accordingly, 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. There is a risk of inconsistent application of the 2018 Farm Bill by state and federal authorities as it relates to Hemp products. Often it is hard to distinguish Hemp-based products containing Hemp compliant with the 2018 Farm Bill from other products with a THC level greater than 0.3%. Without a certificate of authenticity or testing, while in transit, federal and/or state authorities may refuse to acknowledge the legality of product and seize, delay, or compromise product at a significant cost to the business. A successful challenge to the Company by a state or federal authority could have a material adverse effect on the Company, including business opportunity loss, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications.

International Regulatory Risks

The Company has conducted sales in various international jurisdictions and the Company intends to expand internationally. As a result, it is and will become further subject to the laws and regulations of (as well as international treaties among) the foreign jurisdictions in which it operates or imports or exports products or materials. In addition, the Company may avail itself of proposed legislative changes in certain jurisdictions to expand its product portfolio, which expansion may include business and regulatory compliance risks as yet undetermined. Failure by the Company to comply with the current or evolving regulatory framework in any jurisdiction could have a material adverse effect on the Company's business, financial condition and results of operations. There is the possibility that any such international jurisdiction could determine that the Company was not or is not compliant with applicable local regulations. If the Company's historical or current sales or operations were found to be in violation of such international regulations, the Company may be subject to enforcement actions in such jurisdictions including, but not limited to, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications. Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretations of these laws are unclear, in some jurisdictions, financial benefit, directly or indirectly, arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of such laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor. There has been an increasing movement in certain foreign markets to increase the regulation of natural health products, which will impose additional restrictions or requirements. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. Such anticipated regulatory changes may introduce some risk and may harm the Company's operations if its products or advertising activities are found to violate existing or new regulations, or if the Company is not able to affect necessary changes to its products in a timely and efficient manner to respond to new regulations.

Entry into International Markets

The Company's entry into new international markets would require management attention and financial resources that would otherwise be spent on other parts of its business. The Company's international sales could expose it to risks and expenses inherent in operating or selling products in foreign jurisdictions, and developing and emerging markets in particular where the risks may be heightened. These risks and expenses include:

- adverse currency exchange rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Company's products are sold, such as requirements to apply for and obtain licenses, permits or other approvals for products, and the delays associated with obtaining such licenses, permits or other approvals;
- the costs of adapting products for sale in foreign countries, including to changes to formulations, formats, labelling or packaging;
- multiple, changing, and often inconsistent enforcement of laws, rules and regulations, including regulations and standards relating to consumer health products;
- risks associated with the reliance on international distributors, including the possible failure of international distributors to appropriately understand, represent and effectively market and sell the Company's products; • damage to the Company's reputation or brand if counterfeit versions of the Company's products are introduced into international markets;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, representatives, employees and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements; • downward pricing pressure on the Company's products in international markets, due to competitive factors or otherwise;
- laws and business practices favouring local companies;
- political, social or economic unrest or instability;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

The Company's international efforts may not produce desired levels of sales. Furthermore, its experience with selling products in its current international markets may not be relevant or may not necessarily translate into favourable results if the Company sells in other international markets. If and when the Company enters into new markets in the future, it may experience different competitive conditions, less familiarity with the Company's brands and/or different consumer tastes and discretionary spending patterns. As a result, it may be less successful than expected in expanding the Company's sales in current and targeted international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting its overall growth and profitability. To build brand awareness in new markets, the Company may need to make greater investments in advertising and promotional activity than originally planned, which could negatively impact the profitability of its sales in those markets. These or one or more of the factors listed above may harm the Company's business, results of operations or financial condition. Any material decrease in the Company's international sales or profitability could also adversely impact the Company's business, results of operations or financial condition.

Uncertainty and Evolving Regulatory Authority Caused by Potential Changes to Regulatory Framework

FDA leadership has been in flux and will continue to be uncertain with upcoming US elections. If any FDA Commissioner, were to halt current initiatives of the FDA, such as the recently-announced public meeting process, this could delay the development of such a regulatory regime and have an adverse effect on the business of the Company.

NDI Objection by FDA

There is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids were present in the food supply and marketed prior to October 15, 1994, or whether such inclusion of cannabinoids is otherwise approved by the FDA as dietary ingredients. The uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that hemp products containing cannabinoids were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient or are adulterants would have a materially adverse effect upon the Company and its business. The Company could be required to submit a new dietary ingredient ("NDI") notification to the FDA with respect to hemp. If the FDA objects to the Company's NDI notification, this would have a material adverse effect upon the Company and its business.

FDA Interpretation of Prior Drug Exclusion

The FDA has taken the position that CBD cannot be added to food or marketed as a dietary supplement because it has been the subject of investigation as a new drug (such restrictions referred to as "Prior Drug Exclusion") prior to being marketed as a conventional food or dietary supplement. According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. FDA interprets the Prior Drug Exclusion applying as of the date in which FDA authorized the new drug for investigation. If the FDA were to enforce the Prior Drug Exclusion based on its interpretation of the legislation, this would materially and adversely impact the Company's business and financial condition.

FDA Enforcement through Warning Letters

The FDA continues to enforce against violations of the FDCA by issuing warning letters to companies marketing and selling Hemp-derived products, including CBD products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved Hemp-derived product, primarily to companies selling CBD products. The letters reiterate the agency’s position that CBD cannot be added to food and dietary supplements and targeted companies whose products violated the FDCA’s prohibition against: i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); iii) including a substance in human or animal food when that substance is not generally recognized as safe; and iv) selling products that are misbranded due to their failure to include “adequate directions for use by a layperson”. The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to a food or marketed as a dietary supplement due to existing provisions of the FDCA and outlines the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD.

Regulatory Approval and Permits

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are sold. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

Environmental, Health and Safety Laws

The Company is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Company operates. The Company's costs of complying with current and future environmental and health and safety laws, liabilities arising from past or future actions, or more vigorous enforcement of environmental and employee health and safety laws, may have a material adverse effect on the Company's business, financial condition and results of operations.

Debt

From time to time, the Company may rely on debt financing for a portion of its business activities, including capital and operating expenditures. There are no assurances that the Company will be able to comply at all times with the covenants applicable under its debt arrangements; nor are there assurances that the Company will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of the Company to secure financing or refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on the Company's financial results. Further, any inability of the Company to obtain new financing may limit its ability to support future growth.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company. The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) U.S. federal fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Related to SBBC brands' Business and Industry

Chapter 7 Proceedings

Purekana, LLC filed for Chapter 7 bankruptcy under the U.S. Bankruptcy Code on April 3, 2024. The financial results of the Chapter 7 proceedings are beyond the Company's control and are inherently uncertain. Chapter 7 proceedings can be time consuming and management's attention may be diverted from the day to day operations or from pursuing its growth strategy and we may incur significant expenses that cannot be received. Additionally, there can be no assurance that the proceeds, if any, from the Chapter 7 proceedings will be sufficient to satisfy Purekana's loan obligations or that sufficient assets will remain after priority creditors have been repaid.

Product Viability

If the products the Company sells are not perceived to have the effects intended by the end user, its business may suffer. Many of the Company's products contain innovative ingredients or combinations of ingredients. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry. Moreover, there is little long-term data with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, the Company's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions

Products have Limited Shelf Life

The Company holds goods in inventory and its products have a limited shelf life. Its inventory may reach its expiration date and not be sold. Although the Company manages its inventory, it may be required to write-down the value of any inventory that has reached its expiration date, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Product Recalls

Products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling statements. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Recall of products could lead to adverse publicity, decreased demand for the Company's products and could have significant reputational and brand damage. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

The Company's products will be produced for sale to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the production and sale of the Company's products involves the risk of injury to end users due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human or animal consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on its business and operational results.

Product Returns

Product returns are a customary part of the Company's business. Products may be returned for various reasons, including expiration dates or lack of sufficient sales volume. Any increase in product returns could reduce the Company's results of operations.

Reputational Risk and Consumer Perception

The Company believes that the Hemp industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the Hemp produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of Hemp products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the Hemp market or any particular product, or consistent with currently held views. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the Hemp industry and demand for its products and services, which could affect the Company's business, financial condition and results of operations and cash flows. The Company's dependence upon consumer perception means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, its business, financial condition, results of operations and cash flows. Further, adverse publicity, reports or other media attention regarding the safety, efficacy and quality of Hemp in general, or the Company's products specifically, or associating the consumption of Cannabis with illness or other negative effects or events, could have a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately, or as directed. In addition, parties outside of the Hemp industry with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's Hemp related business activities. For example, the Company could receive a notification from a financial institution advising it that they would no longer maintain banking relationships with those in the Hemp industry. the Company may, in the future, have difficulty establishing or maintaining bank accounts or other business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Natural Disasters, Unusually Adverse Weather, Pandemic Outbreaks, Boycotts and Geo-Political Events

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest and acts of terrorism, or similar disruptions could materially adversely affect the Company's business, results of operations or financial condition. These events could result in physical damage to the Company's properties, increases in fuel or other energy prices, temporary or permanent closure of the Company's facilities, labour shortages, temporary or long-term disruption in the supply of raw materials and other inputs, temporary disruption in transport to and from markets, disruption in the Company's distribution network or disruption to the Company's information systems, any of which could have a material adverse effect on the Company's business, results of operations or financial results.

Climate Change and Weather-Related Risks

Climate change could result in increasing frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures, any of which can damage or destroy crops, disrupting the Company's operations by impacting the availability and costs of materials and input products needed for its products. In addition, the availability and prices of products we source may be affected by, among other things, the introduction of regulatory changes in response to concerns about the potential impact of climate change and unusual weather patterns.

Transportation Risk

In order for customers of the Company to receive their product, the Company relies on third party transportation services. This can cause logistical problems with, and delays in, end users obtaining their orders which the Company cannot control. Any delay by third party transportation services may adversely affect the Company's financial performance. Moreover, transportation to and from the Company's facilities is critical. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's operations and financial performance.

Domestic Supply Risk

The regulation of third-party suppliers or distributors may have a significant impact upon the Company's business. Any enforcement activity or any additional uncertainties which may arise in the future could cause substantial interruption or cessation of the Company's business, including adverse impacts to the Company's supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

Reliance on Third Party Suppliers, Service Providers, Manufacturers and Distributors

The Company's suppliers, service providers, contract manufacturers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Company's operations rely. Loss of its suppliers, service providers, contract manufacturers or distributors would have a material adverse effect on the Company's business and operational results. the Company currently relies on third-party contract manufacturers to manufacture the Company products. Disruption of operations of its third-party contract manufacturers could adversely affect inventory supplies and the Company's ability to meet product delivery deadlines.

Third Party Risks

The Company is party to business relationships, transactions and contracts with various third parties, pursuant to which such third parties have performance, supply, payment and other obligations to the Company. If any of these third parties were to become subject to business interruption, bankruptcy, receivership or similar proceedings, the Company's rights and benefits in relation to its business relationships, contracts and transactions with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurances that it would be able to arrange for alternate or replacement business relationships, transactions or contracts on terms as favorable as existing business relationships, transactions or contracts if at all. Any inability on the Company's part to do so could have a material adverse effect on its business and results of operations.

Industry Competition

The Company's competitors may be better capitalized and have more attractive product offerings than the Company does. The Company competes with both large and small companies offering emerging plant-based, holistic wellness and lifestyle consumer products. Such companies offer products that compete with the Company's and could be found preferable by customers due to their technical merits, by way of superior marketing resources or skills, or for other reasons. In addition, competitors may be better capitalized than the Company. The Company cannot assure shareholders that it will succeed in the face of such competition and its financial condition and results of operations will be significantly negatively impacted.

Other Conflicts of Interest

Certain of the officers and managers of the Company may also be directors, managers, officers, consultants or stakeholders of other companies or enterprises, some of which may be in similar sectors, and conflicts of interest may arise between their duties to the Company and their duties to or interests in such other companies or enterprises. Certain of such conflicts may be required to be disclosed in accordance with, and subject to, such procedures and remedies as applicable under applicable corporate and securities laws, however, such procedures and remedies may not fully protect the Company.

Changing Consumer Preferences and Customer Retention

As a result of changing consumer preferences, many innovative products attain financial success for a limited period of time. Even if the Company's products find retail success, there can be no assurance that any of its products will continue to see extended financial success. The Company's success will be significantly dependent upon its ability to introduce new product lines. Even if it is successful in introducing new products or relying on its current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in its products' popularity that could reduce revenues and harm the Company's business, operating results and financial condition. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the Company being unable to meet consumer preferences and generate revenue which would have a material adverse effect on its profitability and financial results from operations.

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's customer acquisition plan and the continued growth in the aggregate number of people selecting Hemp CBD products. The Company's failure to acquire and retain customers could have a material adverse effect on the Company's business, operating results and financial position.

The Company's Relationships with Retailers may Deteriorate

In addition to sales through the Company's own e-commerce platforms, the Company also relies on retailers to display, present and sell its products to consumers in their brick and mortar stores and through their online ecommerce sites. The Company's retailers stock and display its products. The Company's relationships with these retailers are important for maintaining and building consumer trust in its brands and for executing the advertising and educational programs the Company continues to deploy. The Company's failure to maintain these relationships with its retailers or difficulties experienced by these retailers could harm the Company's business.

The Company does not receive long-term purchase commitments from its retailers, and confirmed orders received from retail partners may be difficult to enforce. Furthermore, there can be no assurance that the Company will be able, in the future, to continue to sell its products to its retail customers on favourable trading terms or at all. The Company may be obligated to stop shipments to its retail customers or such customers may refuse shipments from the Company in the course of negotiating the resolution of trading issues with such customers. Factors that could affect the Company's ability to maintain or expand its sales to these retailers include: (i) failure to accurately identify the needs of the Company's customers; (ii) lack of customer acceptance of new products or product expansions; (iii) unwillingness of the Company's retailers to attribute value to the Company's existing and new products relative to competing products; (iv) failure to obtain shelf space from retailers; and (v) new, well-received product introductions by competitors. The Company's sales depend, in part, on retailers effectively displaying its products, including providing attractive space in their stores, including online e-commerce platforms, and, in certain channels, having knowledgeable employees that can explain the Company's products and their attributes. If the Company loses any of its key retailers, or if any key retailer reduces their purchases of the Company's existing or new products, reduces their number of stores or operations, promotes products of competitors over the Company, or suffers financial difficulty or insolvency, the Company may experience reduced sales of its products, resulting in lower revenue and gross profit margin, which would harm the Company's profitability and financial condition.

Maintaining and Promoting the Company's Brand

Management believes that maintaining and promoting the Company's brand is critical to expanding its customer base. Maintaining and promoting the Company's brand will depend largely on its ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Company may introduce new products or services that its customers do not like, which may negatively affect its brand and reputation. Maintaining and enhancing the Company's brand may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brand or if it incurs excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

Inability to Sustain Pricing Models

Significant price fluctuations or shortages in the cost of materials and input products may increase the Company's cost of goods sold and cause its results of operations and financial condition to suffer. If the Company is unable to secure materials and input products at a reasonable price, it may have to alter or discontinue selling some of its products or attempt to pass along the cost to its customers, any of which could adversely affect its results of operations and financial condition. Additionally, any significant interruption in, or increasing costs of, labour, freight and energy could increase the Company's and its suppliers' cost of goods and have a material impact on the Company's financial condition and results from operations. If the Company's suppliers are affected by increases in their costs of labour, freight and energy, they may attempt to pass these cost increases on to the Company. If the Company pays such increases, it may not be able to offset them through increases in its pricing, which could adversely affect its results of operations and financial condition.

Reliance on Key Inputs

The Company's business is dependent on a number of key inputs and their related costs, including raw materials, products and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, materials, input products, and components. No assurances can be given that the Company will be successful in maintaining the required supply of such items.

Any inability to establish such supply inputs, or significant interruption or negative change in the availability or economics of the supply chain for key inputs, could materially impact the financial results and operations of the Company.

Effectiveness and Efficiency of Advertising and Promotional Expenditures; Search Engine Algorithms

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to: (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's products. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

In addition, periodic changes to search engine algorithms, which retrieve data from search indices and deliver ranked search results, produce changes in search engine results pages. 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.

Successfully Management and Growth of E-commerce Business

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

The success of the Company's e-commerce business is also dependent on the Company's ability to successfully manage the costs, difficulties and competitive pressures associated with shipping, including inventory management and distribution, 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.

Inability to Implement Growth Strategy

The Company's future success depends, in part, on its ability to implement its growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into new markets and geographies; and (iii) in support of its profitability targets, improvements in the Company's operating income, gross profit and Adjusted EBITDA margins. the Company's ability to implement this growth strategy depends, among other things, on its ability to:

- develop new products and product line extensions that appeal to consumers and will be supported by retailers and distributors;
- maintain and expand brand loyalty and brand recognition by effectively implementing its marketing strategy and advertising initiatives;
- maintain and improve its competitive position with existing and newly acquired brands, if any, in the channels in which it competes;
- identify and successfully enter and market its products in new geographic markets and market segments and categories;
- enter into successful arrangements with new retailers of its products;
- maintain and, to the extent necessary, improve the Company's high standards for product quality, safety and integrity; and
- maintain sources for the required supply of quality raw ingredients and input products to meet growing demand.

The Company may not be able to successfully implement its growth strategy and reach its revenue and profitability improvement targets.

Difficulty to Forecast

The Company relies largely on its own market research to forecast industry trends and statistics as detailed forecasts are, with certain exceptions, not generally available from other sources. A failure in the anticipated demand for the Company's products to materialize as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a material adverse effect the Company's business, financial condition and results of operations.

Key Officers and Employees

The Company's success and future will depend, to a significant degree, on the continued efforts of its managers, officers and key employees, including certain technical individuals and sales and marketing personnel, the retention of which cannot be guaranteed. The loss of key personnel could materially adversely affect the Company's business. The loss of any such personnel could harm or delay the plans of the Company's business either while management time is directed to finding suitable replacements (who, in any event, may not be available), or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Company's business. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. From time to time, share-based compensation may comprise a significant component of the Company's compensation for key personnel, and if the price of the shares declines, it may be difficult to recruit and retain such individuals. Any of the foregoing risks or actions could disrupt the Company's operations and have a material adverse effect on the Company's results from operations and financial condition.

Obtaining Insurance

Due to the Company's involvement in the hemp industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Company to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Company is unable to obtain insurance coverage on acceptable terms, it may prevent the Company from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Additional Financings

If SBBC is not able to sustain profitability or if it requires additional capital to fund growth or other initiatives, it may seek additional equity or debt financing. There can be no assurances that SBBC will be able to obtain additional financial resources on favorable commercial terms or at all. Failure to obtain such financial resources could affect SBBC's plan for growth or result in SBBC being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the business, results of operations and the financial condition of SBBC.

Management of Growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, there are specific risks inherent in growth of the Company's business-to-business and direct-to-consumer sales, including, among others, increased competition and risks related to the use of information systems.

Risks Related to Acquisitions and Partnerships

SBBC may acquire, partner or otherwise transact with other companies in the future and there are risks inherent in any such activities. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which SBBC or its affiliates is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect SBBC's financial performance and results of operations. SBBC could encounter additional transaction and integration related costs or experience an impact to its operations or results of operation as a result of the failure to realize all of the anticipated benefits from such acquisitions or partnerships, or an inability to successfully integrate an acquisition as anticipated. All of these factors could cause dilution to SBBC 's earnings per share or decrease or delay the anticipated accretive effect of the acquisition or partnership and cause a decrease in the market price of SBBC's securities, or have a material adverse effect on SBBC's operations or results from operations. SBBC may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. As a result of integration efforts, SBBC may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on SBBC's business, financial condition and results of operations. SBBC may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on management of SBBC. There is no assurance that these acquisitions will be successfully integrated in a timely manner or without additional expenses incurred.

In respect of potential future acquisitions or partnerships, there can be no assurance that SBBC will be able to identify acquisition or partnership opportunities that meet its strategic objectives, or to the extent such opportunities are identified, that it will be able to negotiate acceptable terms.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, SBBC may disclose confidential information relating to the business, operations or affairs of SBBC. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put SBBC at competitive risk and may cause significant damage to its business. The harm to SBBC's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, SBBC will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Inability to Protect Intellectual Property

SBBC's success is dependent upon its intangible property and technology. SBBC relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. SBBC relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by SBBC to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of SBBC's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to SBBC's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, SBBC may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

SBBC's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including SBBC's names and logos. If SBBC's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on SBBC's business and might prevent its brands from achieving or maintaining market acceptance.

SBBC may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause SBBC to incur significant penalties and costs.

Intellectual Property Claims

Companies in the retail and wholesale consumer packaged goods industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. SBBC may be subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent SBBC from offering its products to others and may require that SBBC procure substitute products or services.

With respect to any intangible property rights claim, SBBC may have to pay damages or stop using intangible property found to be in violation of a third party's rights. SBBC may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase operating expenses. The technology also may not be available for license at all. As a result, SBBC may also be required to pursue alternative options, which could require significant effort and expense. If SBBC cannot license or obtain an alternative for the infringing aspects of its business, it may be forced to limit product offerings and may be unable to compete effectively. Any of these results could harm SBBC's brand and prevent it from generating sufficient revenue or achieving profitability.

Litigation

SBBC may from time to time become party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which SBBC is, or becomes, involved be determined against SBBC, such a decision could adversely affect SBBC’s ability to continue operating and could use significant resources. Even if SBBC is involved in litigation and wins, such litigation could redirect significant SBBC resources. Litigation may also create a negative perception of SBBC’s brands.

Trade Secrets may be Difficult to Protect

SBBC's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because SBBC operates in a highly competitive industry, it relies in part on trade secrets to protect its proprietary products and processes. However, trade secrets are difficult to protect. Where SBBC considers it necessary, SBBC enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential, and not disclose to third parties, confidential information developed by the receiving party or made known to the receiving party by SBBC during the course of the receiving party's relationship with SBBC. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to SBBC will be its exclusive property, and SBBC enters into assignment agreements to perfect its rights.

These confidentiality, inventions and assignment agreements, where in place, may be breached and may not effectively assign intellectual property rights to SBBC. SBBC's trade secrets also could be independently discovered by competitors, in which case SBBC would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using SBBC's trade secrets could be difficult, expensive and time consuming and the outcome could be unpredictable. Failure to obtain or maintain effective trade secret protection could adversely affect SBBC's competitive position.

Use of Customer Information and Other Personal and Confidential Information

SBBC collects, processes, maintains and uses data, including sensitive information on individuals, available to SBBC through online activities and other customer interactions with its business. SBBC's current and future marketing programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. SBBC strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with SBBC's practices or fail to be observed by its employees or business partners. If so, SBBC may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt SBBC's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

Certain of SBBC's marketing practices rely upon e-mail, social media and other means of digital communication to communicate with consumers on its behalf. SBBC may face risk if its use of e-mail, social media or other means of digital communication is found to violate applicable laws. SBBC posts its privacy policy and practices concerning the use and disclosure of user data on its websites. Any failure by SBBC to comply with its posted privacy policy or other privacy-related laws and regulations could result in proceedings which could potentially harm its business. In addition, as data privacy and marketing laws change, SBBC may incur additional costs to ensure it remains in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, SBBC's compliance costs may increase, its ability to effectively engage customers via personalized marketing may decrease, its investment in its e-commerce platform may not be fully realized, its opportunities for growth may be curtailed by its compliance burden and its potential reputational harm or liability for security breaches may increase.

Information Technology Systems and Data Security Breaches

SBBC's operations depend, in part, on how well it and its third party service providers protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, natural disasters, intentional damage and destruction, fire, power loss, hacking, phishing, computer viruses, vandalism and theft. SBBC's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact SBBC's reputation and results of operations.

SBBC or its third-party service providers collect, process, maintain and use sensitive personal information relating to its customers and employees, including customer financial data (e.g. credit card information) and their personally identifiable information, and rely on third parties for the operation of its ecommerce site and for the various social media tools and websites it uses as part of its marketing strategy. Any perceived, attempted or actual unauthorized disclosure of customer financial data (e.g. credit card information) or personally identifiable information regarding SBBC's employees, customers or website visitors could harm its reputation and credibility, reduce its e-commerce sales, impair its ability to attract website visitors, reduce its ability to attract and retain customers and could result in litigation against SBBC or the imposition of significant fines or penalties.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, SBBC may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

SBBC's online activities, including its e-commerce websites, also may be subject to denial of service or other forms of cyber-attacks. While SBBC has taken measures to protect against those types of attacks, those measures may not adequately protect its online activities from such attacks. If a denial of service attack or other cyber event were to affect its e-commerce sites or other information technology systems, its business could be disrupted, it may lose sales or valuable data, and its reputation may be adversely affected. SBBC's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, SBBC may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Global Economic Uncertainty

Demand for SBBC's products and services are influenced by general economic and consumer trends beyond SBBC's control. There can be no assurance that SBBC's business and corresponding financial performance will not be adversely affected by general economic or consumer trends. In particular, global economic conditions remain constrained, and if such conditions continue, recur or worsen, this may have a material adverse effect on SBBC's business, financial condition and results of operations.

Furthermore, such economic conditions have produced downward pressure on the availability of credit for financial institutions and corporations. If current levels of market disruption and volatility continue, SBBC might experience reductions in business activity, increased funding costs and funding pressures, as applicable, a decrease in asset values, write-downs or impairment charges and lower profitability.

Risks Relating to the Company's Securities United States Tax Classification of the Company

United States Tax Classification of the Company

Although the Company is and will continue to be a Canadian corporation, the Company is expected to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the Code, and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the Code to be treated as being resident of Canada under the *Income Tax Act* (Canada).

As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on the business, financial condition or results of operations of the Company.

It is unlikely that the Company will pay any dividends in the foreseeable future on the Company Shares. However, dividends received by shareholders who are residents of Canada for purpose of the *Income Tax Act* (Canada) will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States Tax Treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

The Company May Issue Additional Equity Securities

The Company may, from time to time, issue equity securities to finance its activities, including in order to finance acquisitions. If the Company were to issue additional equity securities, the ownership interest of existing shareholders may be diluted and some or all of the Company's financial measures on a per share basis could be reduced. Moreover, as the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be materially adversely affected.

No Assurance of Active Trading Market

There is no assurance that an active trading market in the Common Shares will be sustained. The Common Shares are listed for trading on the TSX Venture Exchange. The Company cannot assure shareholders that an active trading market in its Common Shares on the stock exchange will be sustained or that the Common Shares will be able to maintain its listing.

Common Share Price Volatility

A potential investor should consider an investment in the Common Shares as risky. A potential investor should invest only if he or she can withstand a significant loss and wide fluctuations in the market value of the investment. The market price of the Common Shares has been highly volatile and may continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility. Among the factors that could affect the Company Share price are:

- actual or anticipated fluctuations in the Company's quarterly financial and operating results that vary from the expectations of management or of securities analysts and investors;
- failure to meet the expectations of the investment community and changes in the investment community;
- • recommendations or estimates of future operating results;
- announcements of strategic developments, acquisitions, dispositions, financings, product developments and other material events by the Company or competitors;
- regulatory and legislative developments;
- litigation;
- general market conditions;
- other domestic and international macroeconomic factors unrelated to the Company's performance;
- additions or departures of key personnel;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

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.