

IGNITE
INTERNATIONAL BRANDS, LTD.

CSE: BILZ, OTCQX: BILZF
WWW.IGNITE.CO



Management's Discussion and Analysis

For the year ended December 31, 2021



TABLE OF CONTENTS

NOTICE TO READER.....	2
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING FINANCIAL STATEMENTS.....	2
NON-GAAP/IFRS CAUTIONARY STATEMENT	2
INTRODUCTION.....	3
OVERVIEW OF THE BUSINESS	3
GLOBAL OUTLOOK	4
RECENT EVENTS	6
CORPORATE & FINANCIAL HIGHLIGHTS	7
FINANCIAL PERFORMANCE.....	9
NON-IFRS FINANCIAL MEASURES.....	36
LIQUIDITY AND CAPITAL RESOURCES.....	37
SUMMARY OF QUARTERLY RESULTS.....	43
RELATED PARTY TRANSACTIONS	44
SECURITIES OUTSTANDING.....	47
CONTINGENCIES AND COMMITMENTS	48
REGULATORY OVERVIEW	48
RISKS AND UNCERTAINTIES	50



NOTICE TO READER

As a result of a continuous disclosure review conducted by Staff of the Ontario Securities Commission (“OSC”), the Company has enhanced disclosure within this Management Discussion and analysis (“MD&A”) relating to, among other things, overall performance, and discussions of operations, including emerging market operations and the contributing growth factors, transactions between related parties, and liquidity and cash resources. The Company has also remedied prior period reporting deficiencies noted by the OSC. These adjustments include providing comparative year-to-date results in the MD&A, segregation of EBITDA and adjusted EBITDA as a non-GAAP measure. The Company has also enhanced its disclosure regarding the regulatory framework relating to regulated IGNITE branded products in each jurisdiction where the Company operates. The noted deficiencies and request for enhanced disclosure raised to us by the OSC relate to previously filed MD&A’s for the financial periods ending June 30, 2021 and September 30, 2021. The Company included such disclosure within this MD&A and will continue to include such disclosure in subsequent reporting periods. As required, the Company has included a summary of financial data for each of the three most recently completed financial years; however, has not disclosed detailed information regarding per unit product sales for 2019 as the data is not readily available and the time and costs to develop such data would be too extensive due to the Company transitioning from various platforms in year one of operations.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Except for statements of historical fact, information contained in this MD&A constitutes “forward-looking statements” within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to Ignite’s intended business focus and growth strategy; projected financial performance of the Company; the expected development of the Company’s business, projects and joint ventures; completion of the Company’s projects that are currently underway, in development or otherwise under consideration; and future liquidity, working capital and capital requirements. Forward-looking statements are necessarily based upon several estimates and assumptions that, while considered reasonable by management, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, operational, competitive, political and social uncertainties; the effects and impacts of the coronavirus disease (COVID-19) pandemic; ability of Ignite to give effect to its business plan; reliance on the “IGNITE” brand which may not prove to be as successful as contemplated; the ability to, and risks associated with unlocking future licensing opportunities with the “IGNITE” brand and the ability of the Company to capture significant market share. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements. There can be no assurance that any of the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Ignite disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by law.

NON-GAAP/IFRS MEASURES CAUTIONARY STATEMENT

This MD&A makes reference to certain non-GAAP/IFRS financial measures. EBITDA, as defined by the Company, means earnings before interest, income taxes, depreciation, and amortization. Adjusted EBITDA, as defined by the Company, adjusts EBITDA for non-cash expenses such as share-based compensation, exchange gain/loss, bad debt and other items that are not in the normal course of business. These measures are not a recognized measure under GAAP or IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. IGNITE’s method of calculating these measures may differ from methods used by other entities and accordingly, these measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions. IGNITE uses these measures because it believes they provides useful information to both management and investors with respect to the operating and financial performance of the company. A reconciliation of Adjusted EBITDA to a GAAP/IFRS measure (net income) is provided in note 7 of this MD&A.



1. INTRODUCTION

This Management’s Discussion and Analysis (“MD&A”) prepared as at May 2, 2022, reviews the financial condition and results of operations of Ignite International Brands, Ltd. (the “Company” or “Ignite”) for the year ended December 31, 2021 (“2021-YE”), with comparatives for 2020 (“2020-YE”) and 2019 (“2019-YE”), and all other material events up to the date of this report. The Company has also included quarterly results for the three months ended December 31, 2021 (“2020-Q4”), with the same period comparatives for 2020 (“2020-Q4”) and 2019 (“2019-Q4”). The following discussion should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2021 (“Financial Statements”), along with those of 2020 and 2019 (collectively, the “Annual Audited Financial Statements”). The Company’s Annual Audited Financial Statements can be found under the Company’s profile on SEDAR at www.sedar.com.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”).

The Company’s certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of material fact or omit a material fact required to be stated or that is necessary to make a statement not misleading considering the circumstances under which it was made. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Ignite’s Subordinate Voting Shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates the materiality in this regard referencing all relevant circumstances, including potential market sensitivity. The Company’s directors certify that Financial Statements and MD&A present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. All references to the Company contained herein include references to its subsidiaries, as applicable, in the context.

2. OVERVIEW OF THE BUSINESS

Ignite International Brands, Ltd. (“Ignite Pubco”, “Ignite” or the “Company”) is a publicly traded company currently listed on the Canadian Securities Exchange (“CSE”), trading under the symbol “BILZ” and on the OTCQX trading under the symbol “BILZF”. Ignite is a consumer-packaged goods company, leveraging the IGNITE brand via multiple product platforms in the synthetic and tobacco derived nicotine, e-liquid, spirits, apparel, beverage, and cannabidiol (“CBD”) sectors. Effective October 13, 2021, the Company exited cannabis related operations in Canada, its sole operating jurisdiction for cannabis related sales. The Company was originally incorporated in the Province of British Columbia on February 25, 1985, under the name “Info-Stop Communications Inc.” by articles of incorporation pursuant to the provisions of the Ministry of Consumer and Corporate Affairs Company Act. The Company’s head office is located at 675 Cochrane Drive, East Tower, Suite 639, Markham, Ontario L3R 0B8 and its registered and records office is located at 700 West Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3. The Company is a reporting issuer in British Columbia, Alberta, and Ontario.

IGNITE INTERNATIONAL BRANDS, LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



The following table lists the Company's subsidiaries and percentage of holdings:

Subsidiaries	Jurisdiction	Ownership Interest at	Functional Currency	Status	Principle Activity
Ignite International Brands (Canada), Ltd.	Ontario, Canada	100%	CAD	Active	To facilitate sale of IGNITE branded spirits and nicotine products into the Canadian market
Ignite International Brands (U.K.) Ltd.	London, United Kingdom	100%	GBP	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the UK market
Ignite International, Ltd.	Wyoming, United States	100%	USD	Active	To facilitate sale of IGNITE branded CBD and nicotine products into the US market and to other international markets through distribution partners with global reach.
Ignite Spirits, Inc.	Wyoming, United States	100%	USD	Active	To facilitate sale of IGNITE branded spirits into the US market
Ignite International Brands (Luxembourg) S.A.	Luxembourg City, Luxembourg	100%	EUR	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the EU market
Ignite International Brands SDN. BHD.	Kuala Lumpur, Malaysia	100%	MYR	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the EMEA market
Ignite Distribution, Inc.	Delaware, United States	100%	USD	Inactive	-
Ignite Beverages, Inc.	Delaware, United States	100%	USD	Inactive	-
Ignite Internacional Marcas de Mexico, SA de CV	Guadalajara, Jalisco, Mexico	100%	MXN	Inactive	-
⁽¹⁾ Ignite Distribution Company, Inc.	Wyoming, United States	50.1%	USD	Dissolved	Dissolved on July 30, 2021
Ignite International Brands (Ireland), Limited	Dublin, Ireland	100%	EUR	Dissolved	Dissolved on June 30, 2021

⁽¹⁾ Management has assessed the terms and conditions of the joint arrangement under IFRS 10 Consolidated Financial Statements and has established that control exists under the nature of the agreement and as such the Company has accounted for the investment in Ignite Distribution Company, Inc. using the full consolidation method up to date of dissolution.

3. GLOBAL OUTLOOK

United States: The accommodation of IGNITE branded product sales in the United States for 2021-YE was executed by the Company's subsidiaries; Ignite International Ltd. ("Ignite US") and Ignite Spirits, Inc. ("Ignite Spirits"). Ignite US offers a wide range of premium IGNITE branded products, including synthetic and tobacco derived nicotine devices and e-liquids, energy drinks, CBD products, and IGNITE branded merchandise and apparel. Ignite Spirits specializes in alcoholic beverages including IGNITE branded premium vodka and tequila. With a high volume of nicotine product related sales throughout 2021-YE, the United States market accounted for 99.82% of the Company's 2021-Q4 revenues (2020-Q4; 99.31%) and 99.40% of the Company's 2021-YE revenues (2020-YE; 95.87%). The United States market was the top performing market for Ignite throughout the 2021 and has continued to outperform other markets well into 2022. The Company intends on continuing its success in the United States market, while using its business model to mirror such results in other global markets.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



In 2021-Q4, the Company executed its plans to eliminate inefficiencies in the United States supply chain and brought its wholesale distribution and fulfillment in-house. In November 2021, the Company executed a five (5) year lease for a commercial property located in Farmer’s Branch, Texas to serve as the Company’s warehousing, distribution, and fulfillment center, as well as its US based head office. Management is recognizing and anticipates an increase in gross profit margin for wholesale sales due to cost reductions that will result from in-house distribution and fulfillment. The Company will continue distribution and fulfillment of e-commerce sales in the United States through its established 3PL partners.

United Kingdom: The Company’s operations in the United Kingdom are fulfilled by its subsidiary, Ignite International Brands (UK), Ltd. (“Ignite UK”). In 2020-Q4, Ignite UK executed a manufacturing and fulfillment agreement with a leading manufacturer, and distributor based in the United Kingdom, to manufacture, package and distribute a wide array of premium IGNITE branded CBD products through wholesale and e-commerce channels. Ignite UK continued to offer a wide range of CBD products, including its IGNITE branded skincare line comprising of roll-ons, bath bombs, tattoo cream, moisturizers, creams, serums, and body oils. The Company also expanded its existing product line to include synthetic nicotine vape devices. With challenges imposed by Brexit at the onset of 2021, including economic factors related to supply chain and customs regulations, sales in the UK slowed during 2021; however, management has assessed the most effective strategy for sales to the European Union (the “EU”) and has solidified a strategic direction for Ignite UK and expects to see activity increase in 2022. Ignite UK is included within Rest of World (“ROW”) as its operations do not yet meet the requirements for a separate reportable segment.

Malaysia: Ignite International Brands SDN. BHD. (“Ignite MYR”), a subsidiary of the Company, was incorporated on January 1, 2021. Ignite MYR was established to aid in the expansion of IGNITE branded products to countries and markets such as China, Singapore, Hong Kong, and Japan. During 2021, the Company continued to build relationships and prepare for commercial activations this area of the world. Sales in Ignite MYR is expected to commence in 2022 once appropriate trademark registrations and licenses of certain IGNITE products are finalized.

Mexico: The Company incorporated Ignite Internacional Marcas de Mexico, SA de CV. (“Ignite MEX”) on November 11, 2019, with the anticipation of introducing IGNITE branded products in Mexico. The Company planned to secure sales of IGNITE branded products in convenience stores, specialty retail shops, pharmacies, and through online sales throughout the country. As Mexico requires in-person presence for document execution, the capacity which Ignite could enter into the Mexican market was limited due to the onset of COVID-19 due to the restrictions and safety concerns surrounding travel. As at the end of 2021, management continues to assess the opportunities in the Mexican market but is primarily focused on the expansion in other regions. Ignite MEX will remain inactive and will be reassessed for commercial activation in the second half of 2022. Business in this region is currently being developed through distribution partners primarily in the United States; there are no direct sales by an Ignite entity in this region.

Luxembourg: The Company is in the process of expanding its operations in Europe, the Middle East and Africa (the “EMEA”) through its Luxembourg subsidiary, Ignite International Brands (Luxembourg) S.A (“Ignite LUX”). In 2021, Ignite LUX engaged a Vice President of Sales in order to facilitate growth in the EMEA and to secure strategic partnerships that will allow for efficient operations, high volume sales and the strengthening of the IGNITE brand in the EMEA. Mirroring the successful efforts in the United States, the Company plans to offer its wide range of its IGNITE branded products through e-commerce and wholesale channels, including IGNITE branded vodka, tequila, seltzers, energy drinks, nicotine and CBD products, and apparel. In 2021, the Company was a key exhibitor at the 2021 World Vape Show in Dubai where the Company showcased its IGNITE branded nicotine products including a disposable vape device marketed under the IGNITE trademark. Management anticipates the majority of its operations in the EMEA will focus on wholesale revenues, particularly in the nicotine and CBD sectors.



Canada: The Company's operations in Canada are facilitated through its subsidiary, Ignite International Brands (Canada), Ltd. ("Ignite Canada"). In 2021-Q4, the Company made a strategic decision to discontinue its cannabis operations in Canada, terminating all agreements for IGNITE branded cannabis related products effective October 13, 2021. The decision to cease cannabis related operations allows the Company to focus on introducing the other existing IGNITE branded product lines into the Canadian market that management expects will be highly successful. These product lines include IGNITE branded vodka, tequila, seltzers, energy drinks, nicotine products, and apparel. In January of 2022, Ignite Canada executed a Beverage Alcohol Packaging Agreement with a reputable Canadian provider to commence sales of IGNITE branded vodka and tequila in the Canadian market. The Ignite Canada Management team expects to start realizing revenues from the launch of these products on the Canadian market in the first half of 2022.

4. RECENT EVENTS

Subsequent to 2021-YE, the Company had the following material events:

On January 1, 2022, through its subsidiary, Ignite Canada, the Company executed a Beverages Alcohol Packaging Agreement with one of Canada's top packaging facilities to accommodate the sale of Ignite's alcohol product line in Western Canada. In addition, Ignite Canada entered into a Broker and Marketing Agreement with a leading Nova Scotian distributor assigning the distributor as its primary agent for the sale of IGNITE premium vodka within Atlantic Canada, and certain to certain customers outside of the province.

On January 6, 2022, to finance a large inventory purchase, the Company issued a short-term promissory note for \$2.0MM (the "II USD\$2.0MM Note") to International Investments, Ltd. The principal balance accrued interest at a rate of 10% per annum, with the principal and interest due on demand provided the Company's cash balance shall not fall below CAD \$2.0MM immediately after payment.

On February 24, 2022, through its subsidiary, Ignite Canada, the Company executed a Sales Agency Agreement to sell, and market IGNITE branded premium tequila within Atlantic Canada.

On February 28, 2022, the President and Chief Operating Officer resigned from the Company.

On March 1, 2022, the Company issued 175,000 stock options of the Company to employees at an exercise price of \$1.18, vesting over a three-year term and expiring on March 1, 2026.

On March 31, 2022, the Company entered into an agreement with II to sell and transfer all rights, title and interest in and to USD\$3.14MM in receivables owed to the Company for USD\$3.0MM (the "AR Assignment Agreement"). Consideration for the AR Assignment Agreement was settled by II through the cancellation of a \$3.0MM promissory note issued by the Company to II on December 10, 2021 (the "II USD\$3.0MM Note").



5. CORPORATE & FINANCIAL HIGHLIGHTS

FOURTH QUARTER CORPORATE HIGHLIGHTS

During 2021-Q4, to secure large inventory purchases while retaining cash flow, the Company issued an aggregate of USD\$6.6MM in promissory notes to II (see note 9 *Debt* for terms of the issuances). \$3.5MM was settled in conjunction with the December 16, 2021 debt consolidation described below.

On October 13, 2021, the Company made a strategic decision to discontinue its cannabis operations in Canada to focus on introducing and promoting IGNITE branded vodka, tequila, seltzers, energy drinks, vapes, and apparel products to the Canadian market.

On November 1, 2021, the Company executed a five (5) year lease to establish its warehouse operations in Farmers' Branch, Texas. The new facility allows the Company to cease certain 3PL relationships and engage in its own distribution and fulfillment of wholesale orders. The Company expects to see significant cost reductions, increased profit margins and improvements in operational efficiencies.

On December 7, 2021, through its subsidiary, Ignite Canada, the Company entered an exclusive Distribution Agreement for the promotion and sale of its range of premium spirits products to customers in all channels within the British Columbia and Alberta.

On December 9, 2021, the Company appointed an exclusive brand agent for all IGNITE spirits products in New York.

On December 16, 2021, to provide the Company with an alternative repayment option, the Company issued convertible debt to II for proceeds of \$5.5MM (the "\$5.5MM Convertible Debt") consolidating previously issued promissory notes to II (see note 9 *Debt* for terms of the issuance).

During the year, it was confirmed that the Company's USD\$1.0MM Small Business Administration loan and its \$0.5MM Paycheck Protection loan which were granted to assist with uncertainties pertaining to operation costs during the COVID-19 pandemic, were fully forgiven by the lender. These loans were recognized into debt forgiveness in the Company's statement of income and comprehensive income during the first quarter of 2021 after management assessed with reasonable assurance under IAS 20 that the Company had complied with the conditions for loan forgiveness.

During 2021, the Company settled the USD\$1.5MM Note, translating to a Canadian equivalent of \$1.9MM in principal and \$0.05MM in related interest. The Company also settled interest due on a CAD\$1.0MM Note in the amount of \$0.03MM and paid coupon interest due on its II CAD\$16MM Convertible Debt in the amount of \$0.8MM.



FINANCIAL HIGHLIGHTS

2021 marks the Company's most successful year in Ignite's existence. Below is a summary of key financial performance indicators for 2021-Q4 and 2021-YE:

<i>'MM</i>	2021-Q4	2020-Q4	\$ Change	% Change	2021-YE	2020-YE	\$ Change	% Change
Revenue	48.71	10.08	38.63	383.33%	78.78	16.94	61.83	364.93%
Cost of goods sold	33.19	5.74	27.46	478.64%	55.31	10.50	44.81	426.94%
Gross profit	15.52	4.34	11.18	257.42%	23.47	6.45	17.02	263.99%
Gross profit percentage (%)	31.86%	43.08%	-11.22%	-26.05%	29.80%	38.06%	-8.26%	-21.71%
Operating expenses (total)	6.21	4.41	1.80	40.81%	16.98	22.66	(5.68)	-25.06%
Income (loss) from operations	9.31	(0.07)	9.38	-14300.50%	6.49	(16.22)	22.70	140.01%
Total other income	0.07	5.92	(5.85)	-98.85%	3.06	6.02	(2.95)	-49.06%
Total other expenses	1.88	2.83	(0.96)	-33.75%	4.09	9.16	(5.07)	-55.34%
Net income (loss)	7.73	3.01	4.72	156.72%	5.69	-19.37	25.06	129.35%
Net income (loss) and comprehensive income (loss)	7.91	3.13	4.78	152.43%	5.84	-19.71	25.55	129.63%
EBITDA	8.57	3.76	4.81	128.07%	8.81	(13.75)	22.56	-164.05%
Adjusted EBITDA	10.60	1.76	8.84	502.50%	9.49	(12.19)	21.69	-177.83%
Working Capital					26.03	13.48	12.55	93.08%

Significant 2021-Q4 Financial Items

- Revenue for 2021-Q4 was \$48.71MM, exceeding the Company's 2021-Q3 revenues of \$14.36MM by \$34.35MM or 239.21%, and the 2020-Q4 revenues of \$10.08MM by \$38.63MM or 383.33%.
- Gross profit for 2021-Q4 was \$15.52MM (31.86%), a \$11.18MM or 257.42% increase when compared to the \$4.34MM (43.08%) for 2020-Q4.
- Operating expenses for 2021-Q4 were \$6.21MM, a \$1.80MM or 40.81% increase from \$4.41MM for 2020-Q4.
- Other income for 2021-Q4 was \$0.07MM, a \$5.85MM or 98.85% reduction from \$5.92MM for 2020-Q4.
- Other expenses for 2021-Q4 were \$1.88MM, a \$0.96MM or 33.75% reduction from \$2.83MM for 2020-Q4.
- Net income and comprehensive net income for 2021-Q4 was \$7.91MM, a \$4.78MM 152.43% increase from \$3.13MM in 2020-Q4.
- EBITDA of \$8.57MM and adjusted EBITDA of \$10.60MM was a significant improvement compared to the \$3.76MM EBITDA and adjusted EBITDA of \$1.76MM for 2020-Q4.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



Significant 2021-YE Financial Items

- Revenue for 2021-YE was \$78.78MM, exceeding the Company’s 2020-YE revenue of \$16.94MM by \$61.83MM or 364.93%.
- Gross profit for 2021-YE was \$23.47MM (29.80%), an increase of \$17.02MM or 263.99% from \$6.45MM (38.06%) for 2020-YE.
- Operating expenses for 2021-YE were \$16.98MM, a \$5.68MM or 25.06% decrease from \$22.66MM for 2020-YE.
- Other income for 2021-YE was \$3.06MM, a \$2.95M or 49.06% reduction from \$6.02MM for 2020-YE.
- Other expenses for 2021-YE were \$4.09MM, a \$5.07MM or 55.34% reduction from \$9.16MM in 2020-YE.
- Net income and other comprehensive net income for 2021-YE were \$5.84MM, a \$25.55MM or 129.63% increase from the net loss and other comprehensive net loss of 19.71MM for 2020-YE.
- Working capital at 2021-YE was \$26.03MM, a \$12.55MM increase when compared to \$13.48MM at 2020-YE.
- Positive EBITDA of \$8.81MM and positive adjusted EBITDA of \$9.49MM was a significant improvement from the negative \$13.75MM EBITDA and negative adjusted EBITDA of \$12.19MM at 2020-YE.

6. FINANCIAL PERFORMANCE

Below are key performance indicator’s for the last three financial periods, quarter over quarter and year-over year. Changes over these periods is discussed in the sections to follow.

KEY FINANCIAL PERFORMANCE INDICATORS QUARTER OVER QUARTER

'MM	2021-Q4	2020-Q4	2019-Q4	2021-Q4	2021-Q4	2021-Q4	2021-Q4	2020-Q4	2020-Q4
	\$	\$	\$	vs. 2020-Q4	vs. 2020-Q4	vs. 2019-Q4	vs. 2019-Q4	vs 2019-Q4	vs 2019-Q4
Revenue	48.71	10.08	1.70	38.63	383.33%	47.01	2762.30%	8.38	492.20%
Cost of goods sold	33.19	5.74	2.42	27.46	478.64%	30.78	1272.75%	3.32	137.24%
Gross profit	15.52	4.34	(0.72)	11.18	257.42%	16.24	2267.20%	5.06	706.34%
Gross profit percentage (%)	31.86%	43.08%	-42.08%	-11.22%	-26.05%	0.74	175.72%	0.85	202.39%
Operating Expenses (total)	6.21	4.41	10.21	1.80	40.81%	(4.01)	-39.24%	(5.81)	-56.85%
Income (loss) from operations	9.31	(0.07)	(10.93)	9.38	14300.50%	20.24	185.21%	10.86	99.40%
Other income (total)	0.07	5.92	0.19	(5.85)	-98.85%	(0.12)	-64.45%	5.72	2984.27%
Other expenses (total)	1.88	2.83	23.39	(0.96)	-33.75%	-21.51	-91.98%	(20.55)	-87.89%
Net income (loss)	7.73	3.01	(34.13)	4.72	156.72%	41.86	122.66%	37.14	108.83%
Net income (loss) and comprehensive income (loss)	7.91	3.13	(33.35)	4.78	152.43%	41.26	123.71%	36.49	109.39%
EBITDA	8.57	3.76	(32.74)	4.81	128.07%	41.31	126.18%	36.50	111.48%
Adjusted EBITDA	10.60	1.76	(27.12)	8.84	502.50%	37.72	139.07%	28.88	106.48%
Working capital	26.03	13.48	10.72	12.55	93.08%	15.31	142.87%	2.76	25.79%



KEY FINANCIAL PERFORMANCE INDICATORS YEAR OVER YEAR

'MM	2021-YE	2020-YE	2019-YE	2021-YE	2021-YE	2021-YE	2021-YE	2020-YE	2020-YE
	\$	\$	\$	vs. 2020-YE	vs. 2020-YE	vs. 2019-YE	vs. 2019-YE	vs. 2019-YE	vs. 2019-YE
				\$	%	\$	%	\$	%
Revenue	78.78	16.94	9.66	61.83	364.93%	69.12	715.42%	7.28	75.39%
Cost of goods sold	55.31	10.50	7.52	44.81	426.94%	47.78	635.08%	2.97	39.50%
Gross profit	23.47	6.45	2.14	17.02	263.99%	21.34	998.22%	4.31	201.71%
Gross profit percentage (%)	29.80%	38.06%	22.12%	-8.26%	-21.71%	0.08	34.68%	0.16	72.03%
Operating Expenses (total)	16.98	22.66	46.46	(5.68)	-25.06%	-29.47	-63.44%	(23.79)	-51.22%
Income (loss) from operations	6.49	(16.22)	(44.32)	22.70	140.01%	50.81	114.64%	28.11	63.41%
Other income (total)	3.06	6.02	0.42	(2.95)	-49.06%	2.65	635.63%	5.60	1344.10%
Other expenses (total)	4.09	9.16	24.92	(5.07)	-55.34%	-20.83	-83.59%	(15.76)	-63.25%
Net income (loss)	5.69	(19.37)	(68.83)	25.06	129.35%	74.51	108.26%	49.46	71.86%
Net income (loss) and comprehensive income (loss)	5.84	(19.71)	(69.03)	25.55	129.63%	74.87	108.46%	49.32	71.45%
EBITDA	8.81	(13.75)	(63.94)	22.56	164.05%	72.74	113.78%	50.18	78.49%
Adjusted EBITDA	9.49	(12.19)	(57.42)	21.69	177.83%	66.91	116.53%	45.23	78.76%
Working capital	26.03	13.48	10.72	12.55	93.08%	15.31	142.87%	2.76	25.79%

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for 2021-Q4 totaled \$7.91MM, an increase of \$4.78MM or 152.43% compared to \$3.13MM in 2020-Q4. Included in the quarter's net income and comprehensive income is \$0.18MM in cumulative translation gains (\$0.12MM; 2020-Q4). The \$4.72MM increase from 2020-Q4 is a direct result of improved sales contributing an incremental \$11.18MM in gross profit.

For 2020-Q4, \$3.13MM net income and comprehensive income was an increase of \$36.49MM or 109.39% when compared to a loss of \$33.35MM for 2019-Q4. The increase for 2020-Q4 was largely the result of aggressive cost cutting during the entire fiscal 2020, including 2020-Q4, to streamline expenditures and refocus the Company on key products and geographies.

Net income and comprehensive income for 2021-YE totaled \$5.84MM, an increase of \$25.55MM or 129.63% compared a loss of \$19.71MM in 2020-Q4. Included in the years net income and comprehensive income is \$0.15MM in cumulative translation gains (\$0.34MM; 2020-Q4). The \$25.55MM increase can be attributed to an incremental \$17.02MM in gross margin resulting from increased sales, along with continuous cost savings initiatives which lowered operating expenses for the year by \$5.68MM to \$16.98MM compared to \$22.66MM for 2020.

For 2020-YE, \$19.71MM net loss and comprehensive loss was a reduction of \$49.32MM or 71.45% from the loss of \$69.03MM for 2019-YE. The reduction was largely the result of the Company's continued improvements throughout the year, cutting operating costs by \$23.79MM or 51.22%.



REVENUE

The Company assesses its contracts in accordance with IFRS 15:9 which requires the following:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Areas of judgment for revenue recognition include (i) estimating returns on product sold and price concessions (ii) assessment of whether control has passed to the customer based on criteria established in IFRS 15 and (iii) estimating the period in which performance obligations are met.

Revenue from contracts with customers is recognized in accordance with IFRS 15.31 when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is recognized by the Company at the point in time when control of the products sold transfers, and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the customer contract.

When (or as) a performance obligation is satisfied, the Company recognizes, as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue from sales of Ignite products have a single performance obligation and are sold for a fixed price. The Company recognizes revenue in an amount that reflects the consideration which the Company expects to receive from the customer for the sales of the goods, net of promotional discounts, sales taxes, or similar obligations. The Company does not recognize a liability for estimated sales refunds for goods expected to be returned as based on historical information; the amount is immaterial. The Company's return policy is seven (7) days upon receipt of the goods for wholesale orders, and 30 days for eCommerce orders.

For contracts involving multiple performance obligations, the transaction price is allocated based on relative standalone selling prices of the goods or services. If a standalone selling price is not directly observable, it is estimated using an adjusted-market-assessment approach, which, for the most part, involves referring to prices from competitors for similar goods and then making an adjustment to such prices to reflect the company's costs and margins. Contract assets arise when the company transfers goods or services in advance of receiving consideration from customers. Contract liabilities arise from the obligation to transfer goods or services to the customer when consideration has already been received.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



The Company's revenue is comprised of three sales channels (i) Royalty Revenue, (ii) eCommerce Revenue, and (iii) Wholesale Revenue.

- (i) **Royalty Revenue:** Revenue from Royalty contracts is recognized when control of Ignite branded goods, under contract, has transferred from the Royalty partners to the Royalty partners' customer.
- (ii) **eCommerce Revenue:** Revenue from sales through the Company's e-commerce channel is generally recognized on the date the goods are shipped from the Company's warehouse or third-party distribution partner (FOB shipping point). Costs to ship orders to customers are included as an expense in cost of goods sold.
- (iii) **Wholesale Revenue:** Revenue from sales to customers through the Company's wholesale channel are recognized when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is recognized on the date the goods are shipped from the Company's warehouse or third-party distribution partner (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer's carrier. Costs to ship orders to customers are included as an expense in cost of goods sold.

Sales of products are for cash or otherwise agreed-upon credit terms. The Company's payment terms vary by location and customer; however, the time between when revenue is recognized and when payment is due is typically not greater than 30 days. The Company does not offer a warranty on its products. Returns are only refundable if a product was received damaged and must be returned to the Company within seven days of receipt for wholesale customers, and thirty days of receipt for ecommerce customers. The Company exposure to returns for damaged goods is mitigated by filing claims with the responsible freight courier.

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IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



REVENUE FOR THE QUARTER

The following tables presents net revenue by channel and geographic segment for 2021-Q4, 2020-Q4 and 2019-Q4:

2021-Q4						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales channel	\$	\$	\$	\$	%	
Ecommerce	-	1,598,702	51,526	1,650,229	3.39%	
Wholesale	-	47,026,238	36,726	47,062,964	96.61%	
Royalty	-	-	-	-	0.00%	
Total revenue \$	-	48,624,940	88,253	48,713,193	100.00%	
Total revenue %	0.00%	99.82%	0.18%	100.00%		
% of revenue channel						
Ecommerce	0.00%	96.88%	3.12%	100.00%		
Wholesale	0.00%	99.92%	0.08%	100.00%		
Royalty	0.00%	0.00%	0.00%	0.00%		
2020-Q4						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales channel	\$	\$	\$	\$	%	
Ecommerce	-	523,983	92,180	616,163	6.11%	
Wholesale	-	9,484,702	(74,945)	9,409,758	93.36%	
Royalty	-	-	52,711	52,711	0.52%	
Total revenue \$	-	10,008,685	69,946	10,078,631	100.00%	
Total revenue %	0.0%	99.31%	0.69%	100.0%		
% of revenue channel						
Ecommerce	0.00%	85.04%	14.96%	100.00%		
Wholesale	0.00%	100.80%	-0.80%	100.00%		
Royalty	0.00%	0.00%	100.00%	100.00%		
2019-Q4						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales channel	\$	\$	\$	\$	%	
Ecommerce	-	1,838,295	131,069	1,969,364	115.72%	
Wholesale	-	(218,274)	51,325	(166,948)	-9.81%	
Royalty	-	(100,524)	-	(100,524)	-5.91%	
Total revenue \$	-	1,519,497	182,395	1,701,892	100.00%	
Total revenue %	0.0%	89.28%	10.72%	100.00%		
% of revenue channel						
Ecommerce	0.00%	93.34%	6.66%	100.00%		
Wholesale	0.00%	130.74%	-30.74%	100.00%		
Royalty	0.00%	100.00%	0.00%	100.00%		
Variance 2021-Q4 compared to 2020-Q4						
Sales channel	CAN	USA	ROW	\$ Variance	Change in Channel % of total revenue	% increase/decrease in revenue
	\$	\$	\$	\$	%	%
Ecommerce	-	1,074,720	(40,654)	1,034,065	-2.73%	167.82%
Wholesale	-	37,541,535	111,671	37,653,207	3.25%	400.15%
Royalty	-	-	(52,711)	(52,711)	-0.52%	-100.00%
Total revenue Change \$	-	38,616,255	18,306	38,634,561		383.33%
Total revenue Change %	0.00%	99.95%	0.05%	100.00%		
Change in % of revenue per channel						
Ecommerce	0.00%	11.84%	-11.84%	0.00%		
Wholesale	0.00%	-0.87%	0.87%	0.00%		
Royalty	0.00%	0.00%	-100.00%	-100.00%		
Variance 2020-Q4 compared to 2019-Q4						
Sales channel	CAN	USA	ROW	\$ Variance	Change in Channel % of total revenue	% increase/decrease in revenue
	\$	\$	\$	\$	%	%
Ecommerce	-	(1,314,312)	(38,889)	(1,353,201)	-109.60%	-68.71%
Wholesale	-	9,702,976	(126,270)	9,576,706	103.17%	5736.33%
Royalty	-	100,524	52,711	153,235	6.43%	152.44%
Total revenue Change \$	-	8,489,188	(112,449)	8,376,740		492.20%
Total revenue Change %	0.00%	21.97%	-0.29%	21.68%		
Change in % of revenue per channel						
Ecommerce	0.00%	-8.30%	8.30%	0.00%		
Wholesale	0.00%	-29.95%	29.95%	0.00%		
Royalty	0.00%	-100.00%	100.00%	0.00%		



Total revenue for 2021-Q4 were \$48.71MM, a \$38.63MM or 383.33% increase from \$10.08MM in 2020-Q4.

Total revenue for 2020-Q4 were \$10.08MM, a \$8.38MM or 492.20% increase from \$1.70MM in 2019-Q4.

These increases were the result of changes in the following revenue channels:

Ecommerce revenue for 2021-Q4 compared to 2020-Q4:

- For 2021-Q4, total Ecommerce sales were \$1.65MM, an increase of \$1.03MM or 167.82% from \$0.62MM for 2020-Q4. The increase is attributed to the launch of “The Setup”, an autobiography written by the Company’s CEO, Dan Bilzerian, along with increased sales of other IGNITE products during the period.
- For 2021-Q4, the Ecommerce channel accounted for 3.39% of the Company’s \$48.71MM in total revenues for the period; a 2.73% decrease in total revenue allocation compared 6.11% allocation of the total 2020-Q4 \$10.08MM total revenues. This reduction in revenue distribution for Ecommerce sales is due to the large upswing in wholesale revenues described below.
- For 2021-Q4, the USA market accounted for \$1.60MM or 96.88% of the Company’s total Ecommerce sales, an increase of \$1.07M or 11.84% from \$0.52MM or 85.04% reported for 2020-Q4. This increase is attributed to the online sales of The Setup as mentioned above, along with increased sales of other IGNITE products. The remaining \$0.05MM or 3.12% of Ecommerce sales for 2021-Q4 were generated in the ROW, a decrease of \$0.04MM or 11.84% from the \$0.09MM or 14.96% reported for 2020-Q4.

Ecommerce revenue for 2020-Q4 compared to 2019-Q4:

- For 2020-Q4, total Ecommerce sales were \$0.62MM, a decrease of \$1.35MM or 68.71% from \$1.97MM for 2019-Q4. This decline was a result of the Company discontinuing THC sales in the California and Nevada at the end of 2019 and reduced spend on ecommerce-based marketing activities typically used to drive sales, and an aging CBD product line up which was refreshed with a lower number of new SKU’s aligning to consumers changing tastes.
- For 2020-Q4, the Ecommerce channel accounted for 6.11% of the Company’s \$10.08MM in total revenues for the period; a 93.89% decrease in total revenue allocation compared to 100.00% allocation of the \$1.70MM total revenues in 2019-Q4. The decrease can be attributed to the Company’s focus moving to the wholesale channel.
- For 2020-Q4, the USA market accounted for \$0.52MM or 85.04% of the Company’s total Ecommerce sales, a decrease of \$1.31M or 8.30% from \$1.84MM or 93.34% reported for 2019-Q4. This decrease can be attributed to the increased product availability through the wholesale channel and reduced spend on ecommerce-based marketing activities typically used to drive online sales. The remaining \$0.09MM or 14.96% of Ecommerce sales for 2020-Q4 were generated in the ROW, a decrease of \$0.04MM or 8.30% from the \$0.13MM or 6.66% reported for 2019-Q4. The decrease in Ecommerce sales for ROW was the result of a terminated distribution agreement halting sales in the United Kingdom in the first month of 2020-Q4.

Wholesale revenue for 2021-Q4 compared to 2020-Q4:

- For 2021-Q4, total Wholesale revenues were \$47.06MM, an increase of \$37.65MM or 400.15% from \$9.41MM for 2020-Q4. The increase is attributed the 6.32MM IGNITE branded nicotine units sold in 2021-Q4, an increase of 5.82MM units or 1,150.63% from the 0.50MM units sold in 2020-Q4.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



- For 2021-Q4, the Wholesale channel accounted for 96.61% of the Company's \$48.71MM in total revenues for the period; a 3.25% increase in total channel revenue compared to 93.36% of the \$10.08MM 2020-Q4 revenues. This 3.25% increase in channel revenue is due to a large upswing in nicotine product sales as described below.
- For 2021-Q4, the USA market accounted for \$47.02MM or 99.92% of the Company's total Wholesale revenue, an increase of \$37.54MM from \$9.48MM or 100% reported for 2020-Q4. This increase in the USA market is attributed to the Company partnering with large US based distributors with world-wide reach which increased the sale of IGNITE branded nicotine products by 1,150.63%. The remaining \$0.03MM or 0.08% of Wholesale revenues for 2021-Q4 were generated in the ROW, an increase of \$0.11MM or 0.87% from a loss of revenue \$0.07 or -0.08% reported for 2020-Q4.

Wholesale revenue for 2020-Q4 compared to 2019-Q4:

- For 2020-Q4, total Wholesale revenues were \$9.41MM, an increase of \$9.58MM or 100% from a loss on sales of \$0.17MM for 2019-Q4. The increase is attributed the Company's 2020 change in strategy to focus on the wholesale channel.
- For 2020-Q4, the Wholesale channel accounted for 93.36% of the Company's \$10.08MM in total revenues for the period; a 103.17% increase in total channel revenue compared to a loss of 9.81% of the \$1.70MM 2019-Q4 revenues. As mentioned above, this increase in channel revenue were prompted by the change made by management to refocus delivery of its products through distributors and retailers.
- For 2020-Q4, the USA market accounted for \$9.48MM or 100% of the Company's total Wholesale revenue, an increase of \$9.70MM from a \$0.22MM loss on wholesale orders in 2019-Q4. This increase in the USA market is mainly due to the launch of nicotine vaping devices in the final two weeks of 2020-Q3.

Royalty revenue for 2021-Q4 compared to 2020-Q4:

- For 2021-Q4, the Company did not report any royalty income, a 100% decrease from \$0.05MM in 2020-Q4. The lack of 2021-Q4 royalty income was the result of the Company exiting Canadian cannabis market, with no other royalty sales in any other markets. The Company announced the termination of a license agreement in Canada between the Company and CannMart, Inc., on October 13, 2020.
- For 2021-Q4, the royalty channel did not generate revenues, compared to \$0.05MM or 0.52% of the total \$10.08MM in 2020-Q4.
- For 2021-Q4, none of the Company's reporting segments generated royalty revenues, whereas in 2020-Q4, \$0.05MM or 100% of the Company's royalty revenues were generated by ROW. This decrease is due to the Company maintaining its concentration on wholesale channel operations.

Royalty revenue for 2020-Q4 compared to 2019-Q4:

- For 2020-Q4, total royalty revenue was \$0.05MM, a 100% increase from a loss on royalties of \$0.1MM in 2019-Q4. This increase was the result of a short-term arrangement in ROW for the sale of IGNITE branded nicotine devices.
- For 2020-Q4, the royalty channel accounted for 0.52% of the Company's \$10.08MM in total revenue, an increase of 6.43% compared to a loss of 0.52% of the total \$1.70MM in 2019-Q4.
- For 2020-Q4, 100% of the Company's royalty revenues were generated by ROW, a 100% increase from no sales in 2019-Q4. This increase was the result of a short-term arrangement in ROW for the sale of IGNITE branded nicotine devices as mentioned above.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



REVENUE FOR THE YEAR

The following tables presents net revenue by channel and geographic segment for the 2021-YE, 2020-YE and 2019-YE:

2021-YE						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales Channel	\$	\$	\$	\$	%	
Ecommerce	-	2,923,209	263,418	3,186,627	4.05%	
Wholesale	-	74,596,787	214,102	74,810,889	94.96%	
Royalty	753,563	-	27,177	780,740	0.99%	
Total Revenue \$	753,563	77,519,996	504,697	78,778,256	100.00%	
Total Revenue %	0.96%	98.40%	0.64%	100.00%		
<i>% of revenue per channel</i>						
Ecommerce	0.00%	91.73%	8.27%	100.00%		
Wholesale	0.00%	99.71%	0.29%	100.00%		
Royalty	96.52%	0.00%	3.48%	100.00%		
2020-YE						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales Channel	\$	\$	\$	\$	%	
Ecommerce	-	3,389,443	396,784	3,786,227	22.35%	
Wholesale	-	12,855,417	32,485	12,887,902	76.06%	
Royalty	212,434	-	57,596	270,030	1.59%	
Total Revenue \$	212,434	16,244,860	486,865	16,944,159	100.00%	
Total Revenue %	1.3%	95.9%	2.9%	100.0%		
<i>% of revenue per channel</i>						
Ecommerce	0.00%	89.52%	10.48%	100.00%		
Wholesale	0.00%	99.75%	0.25%	100.00%		
Royalty	78.67%	0.00%	21.33%	100.00%		
2019-YE						
	CAN	USA	ROW	CONSOLIDATED	Channel % of total revenue	
Sales Channel	\$	\$	\$	\$	%	
Ecommerce	-	5,890,195	443,688	6,333,884	65.56%	
Wholesale	-	2,635,698	306,057	2,941,755	30.45%	
Royalty	-	385,444	-	385,444	3.99%	
Total Revenue \$	-	8,911,337	749,746	9,661,083	100.00%	
Total Revenue %	0.00%	92.24%	7.76%	100.00%		
<i>% of revenue per channel</i>						
Ecommerce	0.00%	93.00%	7.00%	100.00%		
Wholesale	0.00%	89.60%	10.40%	100.00%		
Royalty	0.00%	100.00%	0.00%	100.00%		
Variations - 2021-YE to 2020-YE						
	Canada	USA	ROW	Increase/decrease in revenue	Change in Channel % of total revenue	Increase/decrease in revenue
Sales Channel	\$	\$	\$	\$	%	%
Ecommerce	-	(466,234)	(133,365)	(599,600)	-18.30%	-15.84%
Wholesale	-	61,741,371	181,616	61,922,986	18.90%	480.47%
Royalty	541,129	-	(30,419)	510,710	-0.60%	189.13%
Total Revenue Change \$	541,129	61,275,136	17,831	61,834,097		364.93%
Total Revenue Change %	0.88%	99.10%	0.03%	100.00%		
<i>Change in % of revenue per channel</i>						
Ecommerce	0.00%	2.21%	-2.21%	0.00%		
Wholesale	0.00%	-0.03%	0.03%	0.00%		
Royalty	17.85%	0.00%	-17.85%	0.00%		
Variations - 2020-YE to 2019-YE						
	Canada	USA	ROW	Increase/decrease in revenue	Change in Channel % of total revenue	Increase/decrease in revenue
Sales Channel	\$	\$	\$	\$	%	%
Ecommerce	-	(2,500,752)	(46,905)	(2,547,657)	-43.22%	-40.22%
Wholesale	-	10,219,718	(273,572)	9,946,147	45.61%	338.10%
Royalty	212,434	(385,444)	57,596	(115,414)	-2.40%	-29.94%
Total Revenue Change \$	212,434	7,333,522	(262,880)	7,283,075		75.39%
Total Revenue Change %	0.34%	11.86%	-0.43%	11.78%		
<i>Change in % of revenue per channel</i>						
Ecommerce	0.00%	-3.47%	3.47%	0.00%		
Wholesale	0.00%	10.15%	-10.15%	0.00%		
Royalty	78.67%	-100.00%	21.33%	0.00%		



Total Sales for 2021-YE were \$78.78MM, a \$61.83MM or 364.93% increase from \$16.94MM total revenue for 2020-YE.

Total revenues for 2020-YE were \$16.94MM, \$7.28MM or 75.39% increase from \$9.66MM total revenue for 2019-YE.

These increases were the result of changes in the following revenue channels:

Ecommerce Revenue for 2021-YE compared to 2020-YE:

- For 2021-YE, total Ecommerce sales were \$3.19MM, a decrease of \$0.60MM or 15.84% from \$3.79MM for 2020-YE. The decrease is due to the Company concentrating its efforts on its Wholesale channel while maintaining its online presence without making significant investment to improve online sales.
- For 2021-YE, the Ecommerce channel accounted 4.05% of the Company's \$78.78MM in total revenues for the year which is a 18.30% decrease in total revenue distribution from 22.35% channel percentage reported on 2020-YE \$16.94MM total revenues. This reduction channel percentage revenue is due to the large upswing in wholesale revenues described below.
- For 2021-YE, the USA market accounted for \$2.93MM or 91.73% of the Company's total Ecommerce sales, a decrease \$0.47MM but a 2.21% increase in total ecommerce channel revenue as compared to the \$3.39MM or 89.52% reported for 2020-YE. As mentioned above, this decrease is due to the shift in the Company's attention into the Wholesale market. The remaining \$0.26MM or 8.27% of Ecommerce sales for 2021-YE were generated in the ROW, a decrease of \$0.13MM or 2.21% from the \$0.40MM or 10.48% reported for 2020-Q4.

Ecommerce Revenue for 2020-YE compared to 2019-YE:

- For 2020-YE, total Ecommerce sales were \$3.77MM, a decrease of \$2.55MM or 40.22% from \$6.33MM for 2019-YE. The decline for 2020-YE was a result of the Company discontinuing THC sales in the US (California and Nevada) at the end of 2019, increased product availability through the wholesale channel, reduced spend on ecommerce-based marketing activities typically used to drive sales, and an aging CBD product line up which was refreshed with a lower number of new SKU's aligning to consumers changing tastes.
- For 2020-YE, the Ecommerce channel accounted 22.35% of the Company's \$16.94MM in total revenues for the year which is a 43.22% decrease in total revenue distribution from 65.56% channel percentage reported on 2019-YE \$9.66MM total revenues. This reduction channel percentage is due the increase in sales through the wholesale channel.
- For 2020-YE, the USA market accounted for \$3.8MM or 89.52% of the Company's total Ecommerce sales, a decrease \$2.50MM or 3.47% in total ecommerce channel revenue compared to the \$5.89MM or 93.00% reported for 2019-YE. The remaining \$0.40MM or 10.48% of Ecommerce sales for 2020-YE were generated in the ROW, a decrease of \$0.05MM or 10.15% from the \$0.04MM or 7.00% reported for 2019-Q4.

Wholesale Revenue for 2021-YE compared to 2020-YE:

- For 2021-YE, total Wholesale revenues were \$74.81MM, an increase of \$61.92MM or 480.47% from \$12.89MM for 2020-YE. The increase is attributed the 8.17MM IGNITE branded nicotine units sold during 2021-YE, an increase of 7.60MM or 1135.10% from the 0.57MM units sold during 2020-YE.



- For 2021-YE, the Wholesale channel accounted 94.96% of the Company's \$78.78MM in total revenues for the year; a 18.90% increase in total channel revenue compared to the \$12.89MM or 76.06% channel percentage reported on the \$16.94MM 2020-YE total revenues. This 18.90% increase in revenue distribution is due to a large upswing in nicotine product sales for the year as described above.
- For 2021-YE, the USA market accounted for \$74.60MM or 99.71% of the Company's total Wholesale revenue, an increase of \$61.74MM or decrease in channel percentage revenue of -0.04% from \$12.86MM or 99.75% as reported for 2020-YE. This increase in the USA market can be attributed to the Company partnering with large US based distributors with world-wide reach, widely increasing the sale of IGNITE branded nicotine products. The remaining \$0.21MM or 0.29% of Wholesale revenues for 2021-Q4 were generated in the ROW, an increase of \$0.18MM or 0.03% from \$0.03MM or 0.25% reported for 2020-Q4.

Wholesale Revenue for 2020-YE compared to 2019-YE:

- For 2020-YE, total Wholesale revenues were \$12.89MM, an increase of \$9.95MM or 338.10% from \$2.94MM for 2019-YE. The increase is mainly attributed from to 2020-Q4 sales as nicotine vaping devices had a full quarter of sales having launched in the final two weeks of 2020-Q3.
- For 2020-YE, the Wholesale channel accounted 76.06% of the Company's \$16.94MM in total revenues for the year; a 45.61% increase in total channel revenue compared to the \$2.94MM or 30.45% channel percentage reported on the \$9.66MM 2019-YE total revenues. This 45.61% increase in revenue distribution is due to a large upswing in nicotine product sales and the decrease in concentration on the Ecommerce channel.
- For 2020-YE, the USA market accounted for \$12.86MM or 99.75% of the Company's total Wholesale revenue, an increase of \$10.22MM or 10.15% from \$2.64MM or 86.60% as reported for 2019-YE. This increase in the USA market can be attributed to the Company activating the USA market at the onset of a wholesale channel to establish processes to set out in other regions. The remaining \$0.03MM or 0.25% of Wholesale revenues for 2020-Q4 were generated in the ROW, a decrease of \$0.27MM or 10.15% from \$0.31MM or 10.40% reported for 2019-Q4.

Royalty Revenue for 2021-YE compared to 2020-YE:

- For 2021-YE, total Royalty revenues were \$0.78MM, an increase of \$0.54MM or 189.13% from \$0.21MM for 2020-YE. The increase is attributed an execution of a sales and distribution agreement at the tail end of 2020 to service the Canadian market.
- For 2021-YE, the Royalty channel accounted for 0.99% of the Company's \$78.78MM in total revenues for the year; a 0.60% decrease in total revenue distribution from the 1.59% allocation reported on the \$16.94MM in total revenues for 2020-YE. This 0.60% decrease in revenue distribution is due to changes with licensing agreements entered into and terminated by the Company which halted the generation of Royalty revenue.
- For 2021-YE, the CAN segment accounted for \$0.75MM or 96.52% of the Company's total Royalty revenue, an increase of \$0.54MM or 17.85% from \$0.21MM or 78.67% reported for 2020-YE. This increase in the CAN market can be attributed to an execution of a sales and distribution agreement to service in Canada, as mentioned above. The remaining \$0.03MM or 3.48% of Royalty revenues for 2021-Q4 were generated in the ROW, a decrease of \$0.03MM or 17.85% from \$0.06 or 21.33% reported for 2020-Q4.



Royalty Revenue for 2020-YE compared to 2019-YE:

- For 2020-YE, total Royalty revenues were \$0.27MM, a decrease of \$0.12MM or 29.94% from \$0.39MM for 2019-YE. The decrease is a result of challenges with the Canadian partner, CannMart, not being able to fulfil demand requirements due to production issues. This forced the termination of the royalty agreement in late 2020-Q3 resulting in the Company being out of market from late August through to the end of the year.
- For 2020-YE, the Royalty channel accounted for 1.59% of the Company's \$16.94MM in total revenues for the year; a 2.40% decrease in total revenue distribution from the 3.99% allocation reported on the \$9.66MM in total revenues for 2019-YE. This 2.40% decrease is due to the termination of the CannMart agreement in 2020-Q3.
- For 2020-YE, the CAN segment accounted for \$0.21MM or 78.67% of the Company's total Royalty revenue, an increase of \$0.21MM or 78.67% from no sales reported in 2019-YE. This increase in the CAN market can be attributed to the first three quarter royalty revenues earned through the sales and distribution agreement executed with CannMart. The remaining \$0.06MM or 21.33% of Royalty revenues for 2020-Q4 were generated in the ROW, an increase of \$0.06MM or 21.33% from no sales being reported in 2019-Q4.

During 2021-YE, the Company had three significant customers representing 17%, 19% and 25%, of total revenues earned by the Company (2020; one customer; 50%), all of which purchased within the USA segment (2020; USA segment).

COST OF GOODS SOLD

Cost of goods sold, primarily consists of cost incurred to ready inventory for sale, including product costs, packaging and labeling, warehousing, fulfillment, distribution and freight and tariff costs. The Company also includes inventory provisions, shrinkage, and obsolescence within cost of goods sold.

Costs of goods sold for 2021-Q4 were \$33.19MM, an increase of \$27.45MM or 478.64% compared to \$5.74MM for 2020-Q4. This increase is in direct relation to the Company's \$38.63MM increase in revenues for 2021-Q4 along with the \$1.27MM (2020; \$3.40MM) of inventory provisions provided for in 2021-Q4 implemented and adjusted after management's annual assessment of inventory.

Costs of goods sold for 2020-Q4 were \$5.74MM, an increase of \$3.32MM or 137.24% compared to \$2.42MM for 2019-Q4. This increase is in direct relation to the Company's \$8.38MM increase in revenues for 2020-Q4.

Costs of goods sold for 2021-YE were \$55.31MM, an increase of \$44.81MM or 426.94% compared to \$10.50MM for 2020-Q4. This increase is in direct relation to the Company's \$61.93MM increase in revenues for 2021-Q4. As is the case for 2021-Q4, management also included \$1.27MM (2020; \$3.40MM) in inventory provisions for in 2021.

Costs of goods sold for 2020-YE were \$10.50MM, an increase of \$2.97MM or 39.50% compared to \$7.52MM for 2019-Q4. This increase is in direct relation to the Company's \$7.28MM increase in revenues for 2020-Q4.

Costs of goods sold by reporting segment is listed below under gross profits.



GROSS PROFITS

Gross profit is revenue less cost of goods sold.

Gross profits for 2021-Q4 were \$15.52MM, an increase of \$11.18MM or 257.42% compared to \$4.34MM for 2020-Q4. This increase is in direct relation to the Company's \$38.63MM increase in revenues for 2021-Q4. The gross margin percentage for 2021-Q4 was 31.86%, a decrease of 11.22% from 43.08% for 2020-Q4. This decrease in profit margin percentage is due to the high growth to its wholesale customers and distributors.

Gross profits for 2020-Q4 were \$4.34MM, an increase of \$5.06MM or 706.34% compared to a loss of \$0.72MM for 2019-Q4. This increase is in direct relation to the Company's \$8.38MM increase in revenues for 2020-Q4. The gross margin percentage for 2020-Q4 was 43.08%, an increase of 85.16% from negative 42.08% for 2019-Q4. The increase in gross profit and gross profit margin percentage is mainly result of higher wholesale margins in the nicotine vaping products which made up approximately 90% for revenues in 2020-Q4 (2019-Q4; \$nil).

The table below summarizes gross profits and gross profit percentage for each of 2021-Q4, 2020-Q4 and 2019-Q4.

2021-Q4	CAN	USA	ROW	CONSOLIDATED
Total revenue	-	48,624,940	88,253	48,713,193
Total cost of goods sold	(9,996)	(32,895,920)	(287,403)	(33,193,319)
Total Gross Profit	(9,996)	15,729,020	(199,150)	15,519,874
Total Gross Profit (%)	0.00%	32.35%	-225.66%	31.86%
2020-Q4	CAN	USA	ROW	CONSOLIDATED
Total revenue	-	10,008,685	69,946	10,078,631
Total cost of goods sold	-	(5,630,190)	(106,270)	(5,736,460)
Total Gross Profit	-	4,378,495	(36,324)	4,342,171
Total Gross Profit (%)	0.00%	43.75%	-51.93%	43.08%
2019-Q4	CAN	USA	ROW	CONSOLIDATED
Total revenue	-	1,519,497	182,395	1,701,892
Total cost of goods sold	-	(2,298,509)	(119,507)	(2,418,016)
Total Gross Profit	-	(779,012)	62,888	(716,124)
Total Gross Profit (%)	0.00%	-51.27%	34.48%	-42.08%
Change 2021-Q4 vs. 2020-Q4	CAN	USA	ROW	CONSOLIDATED
Change in revenue	-	38,616,255	18,306	38,634,561
Change in cost of goods sold	(9,996)	(27,265,730)	(181,134)	(27,456,860)
Change in gross profit	(9,996)	11,350,525	(162,828)	11,177,701
% increase/decrease in gross profits	0.00%	259.23%	448.26%	257.42%
change in gross profit margin (%)	0.00%	-11.40%	-173.73%	-11.22%
Change 2020-Q4 vs. 2019-Q4	CAN	USA	ROW	CONSOLIDATED
Change in revenue	-	8,489,188	(112,449)	8,376,740
Change in cost of goods sold	-	(3,331,681)	13,237	(3,318,444)
Change in gross profit	-	5,157,507	(99,212)	5,058,295
% increase/decrease in gross profits	0.00%	662.06%	-157.76%	706.34%
change in gross profit margin (%)	0.00%	95.01%	-86.41%	85.16%

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



Gross profits for 2021-YE were \$23.47MM, an increase of \$17.02MM or 263.99% compared to \$6.45MM for 2020-YE. This increase is in direct relation to the Company's \$61.83MM increase in revenues for 2021-YE. The gross margin percentage for 2021-YE was 29.80%, a decrease of 8.26% from 38.06% for 2020-YE. Like the quarter results, the decrease in profit margin percentage is due to the high growth to wholesale customers and distributors.

Gross profits for 2020-YE were \$6.45MM, an increase of \$4.31MM or 201.71% compared to \$2.14MM for 2019-Q4. This increase is in direct relation to the Company's \$7.28MM increase in revenues for 2020-YE. The gross margin percentage for 2020-YE was 38.06%, an increase of 15.93% from 22.12% for 2019-YE. The increase in gross profit percentage for the year is mainly result of higher wholesale margins in the nicotine vaping products which made up approximately 60% of 2020 revenue.

The table below summarizes gross profits and gross profit percentage for each of 2021-YE, 2020-YE and 2019-YE.

2021-YE	CAN	USA	ROW	CONSOLIDATED
Total revenue	753,563	77,519,996	504,697	78,778,256
Total cost of goods sold	(495,300)	(54,131,844)	(678,507)	(55,305,651)
Total Gross Profit	258,263	23,388,152	(173,810)	23,472,605
Total Gross Profit (%)	34.27%	30.17%	-34.44%	29.80%
2020-YE	CAN	USA	ROW	CONSOLIDATED
Total revenue	212,434	16,244,860	486,865	16,944,159
Total cost of goods sold	-	(10,022,673)	(472,855)	(10,495,528)
Total Gross Profit	212,434	6,222,187	14,010	6,448,631
Total Gross Profit (%)	100.00%	38.30%	2.88%	38.06%
2019-YE	CAN	USA	ROW	CONSOLIDATED
Total revenue	-	8,911,337	749,746	9,661,083
Total cost of goods sold	-	(7,001,235)	(522,511)	(7,523,746)
Total Gross Profit	-	1,910,102	227,235	2,137,337
Total Gross Profit (%)	0.00%	21.43%	30.31%	22.12%
Change 2021-YE vs. 2020-YE	CAN	USA	ROW	CONSOLIDATED
Change in revenue	541,129	61,275,136	17,831	61,834,097
Change in cost of goods sold	(495,300)	(44,109,171)	(205,653)	(44,810,124)
Change in gross profit	45,829	17,165,966	(187,821)	17,023,973
% increase/decrease in gross profits	21.57%	275.88%	-1340.54%	263.99%
change in gross profit margin (%)	-65.73%	-8.13%	-37.32%	-8.26%
Change 2020-YE vs. 2019-YE	CAN	USA	ROW	CONSOLIDATED
Change in revenue	212,434	7,333,522	(262,880)	7,283,075
Change in cost of goods sold	-	(3,021,439)	49,656	(2,971,782)
Change in gross profit	212,434	4,312,083	(213,224)	4,311,293
% increase/decrease in gross profits	0.00%	225.75%	-93.83%	201.71%
change in gross profit margin (%)	100.00%	16.87%	-27.43%	15.93%



OPERATING EXPENSES

Operating expenses for the Company consist of general and administrative costs, share-based payments, marketing and promotions, depreciation and amortization, and bad debt expense.

Total operating expenses for 2021-Q4 were \$6.21MM, an increase of \$1.80MM or 40.81% compared to \$4.41MM for 2020-Q4.

Total operating expenses for 2020-Q4 were \$4.41MM, an decrease of \$5.81MM or 56.85% compared to \$10.21MM for 2019-Q4.

Differences over the quarters are attributed to the changes in each of the components of operating expense below:

- **General and administrative (“G&A”) costs for 2021-Q4** primarily include payroll costs, office and facility expenses, consulting fees, professional fees and travel and accommodation costs. For 2021-Q4, G&A costs totaled \$3.69MM, an increase of \$1.40MM or 61.17% from \$2.29MM in 2020-Q4. The increase is a result of the changes within G&A as discussed below.

For 2020-Q4, were \$2.29MM, a decrease of \$2.03MM or 46.99% compared to \$4.32MM for 2019-Q4. The decrease is a result of the changes within G&A as discussed below.

The table below represents G&A costs incurred by the Company during 2021-Q4, 2020-Q4, and 2019-Q4, along with the variances in costs between the quarters:

	2021-Q4	2020-Q4	2019-Q4	2021-Q4 vs 2020-Q4	2021-Q4 vs 2020-Q4	2020-Q4 vs 2019-Q4	2020-Q4 vs 2019-Q4
	\$	\$	\$	\$	%	\$	%
Payroll and benefits	1,996,479	1,495,929	3,053,428	500,550	33.46%	(1,557,499)	-51.01%
Bank and merchant Fees	88,813	65,451	14,538	23,362	35.69%	50,913	350.20%
Office expenses	356,483	312,773	228,373	43,710	13.97%	84,400	36.96%
Facilities expense	257,063	1,762	65,791	255,301	14491.87%	(64,029)	-97.32%
Consulting and advisory fees	357,117	156,158	333,283	200,959	128.69%	(177,125)	-53.15%
Professional fees	440,693	251,339	180,733	189,354	75.34%	70,606	39.07%
Insurance	18,265	957	185,453	17,307	1808.33%	(184,496)	-99.48%
Travel and accommodation	174,579	4,764	221,550	169,815	3564.72%	(216,786)	-97.85%
Research and development	-	-	34,908	-	0.00%	(34,908)	-100.00%
Total G&A expenses	3,689,491	2,289,134	4,318,058	1,400,359	61.17%	(2,028,923)	-46.99%
% of G&A distribution							
Payroll and benefits	54.11%	65.35%	70.71%		11.24%		-5.36%
Bank and merchant Fees	2.41%	2.86%	0.34%		0.45%		2.52%
Office expenses	9.66%	13.66%	5.29%		4.00%		8.37%
Facilities expense	6.97%	0.08%	1.52%		-6.89%		-1.45%
Consulting and advisory fees	9.68%	6.82%	7.72%		-2.86%		-0.90%
Professional fees	11.94%	10.98%	4.19%		-0.96%		6.79%
Insurance	0.50%	0.04%	4.29%		-0.45%		-4.25%
Travel and accommodation	4.73%	0.21%	5.13%		-4.52%		-4.92%
Research and development	0.00%	0.00%	0.81%		0.00%		-0.81%
Total G&A distribution	100.00%	100.00%	100.00%				



– **Payroll and benefits:**

- **For 2021-Q4**, the \$0.50MM (33.46%) increase from 2020-Q4 was a result of \$0.37MM in accrued performance bonuses for key employees.

For 2020-Q4, the \$1.56MM (51.01%) decrease from 2019-Q4 was the result is a result of the Company undergoing further staff reductions in August 2020.

– **Bank and merchant fees:**

- **For 2021-Q4**, the \$0.02MM (35.69%) increase from 2020-Q4 is a result of overall higher sales activity.

For 2020-Q4, the \$0.05MM (350.20%) increase from 2019-Q4 was due to additional banking facilities being obtained by the Company in 2020 to accommodate the addition of new subsidiaries to the Ignite group.

– **Office expenses:**

- **For 2021-Q4**, the \$0.04MM (13.97%) increase from 2020-Q4 is attributed to office needs for the offices in the Company's new warehouse facility.

For 2020-Q4, the \$0.08MM (36.96%) increase from 2019-Q4 is due to an investment in an ERP system which incurred development and implementation which were mainly completed in 2020-Q4.

– **Facilities expense:**

- **For 2021-Q4**, the \$0.26MM (14,491.87%) increase from 2020-Q4 relates to costs associated with the addition of a new warehouse lease executed in November 2021.

For 2020-Q4, the \$0.06MM (97.32%) decrease from 2019-Q4 is due to the termination of a lease the Company had in 2020-Q3.

– **Consulting and advisory fees:**

- **For 2021-Q4**, the \$0.20MM (128.69%) increase from 2020-Q4 is due to the Company requiring additional advice in relation to nicotine sales for market activations in key states. Additionally, the Company engaged employment recruitment services in 2021-Q4 to assist in fulfilling certain positions within the Company.

For 2020-Q4, the \$0.18MM decrease from 2019-Q4 is the result of the Company's need for recruitment in 2019 to fulfill key roles that, which was not required in 2020-Q4.

– **Professional Fees:**

- **For 2021-Q4**, the \$0.19MM (75.34%) increase from 2020-Q4 is the result of increased audit and legal fees.

For 2020-Q4, the \$0.07MM (39.07%) increase from 2019-Q4 is the result of varying legal costs incurred in 2020-Q4.



– **Insurance:**

- **For 2021-Q4**, the \$0.02MM (1,808.33%) increase from 2020-Q4 is the result of insurance requirements for the new warehouse facility.

For 2020-Q4, the \$0.18MM (99.48%) decrease from 2019-Q4 is the result of small changes made to the Company's insurance policies in 2020.

– **Travel and accommodation:**

- **For 2021-Q4**, the \$0.17MM (3,564.72%) increase from 2020-Q4 is the result of costs associated with tradeshow attended by sales and marketing personnel within the quarter of 2021-Q4.

For 2020-Q4, the \$0.22MM (97.85%) decrease from 2019-Q4 is primarily a result of global travel restrictions, while decreases were also realized from staff reductions.

- **Share based payments for 2021-Q4** totaled \$0.56MM, a decrease of \$1.09MM or -65.97% from \$1.65MM in 2020-Q4. The decrease is attributed to the triggering of the second-year graded vesting of stock options issued on October 22, 2020. In addition, forfeitures in prior periods during the year offset and reduced stock-based compensation expense for the fourth quarter.

Share based payments for 2020-Q4 totaled \$1.65MM, increase of \$0.88MM or 114.57% from \$0.77MM in 2019-Q4. The increase is attributed managements' belief that equity-based compensation ensures goal congruence between itself and its employees. To this extent, at the end of 2020-Q3, the Company, at the acceptance of its employees, cancelled 3.06MM of the issued and outstanding options which were priced at \$2.25. In the first month of 2020-Q4, the Company re-issued 2.46MM of its previously cancelled stock options and issued 2.39 new stock options at a price of \$0.50.

- **Marketing and promotion for 2021-Q4** totaled \$1.24MM, an increase of \$0.95MM or 335.82% from \$0.29MM in 2020-Q4. The increase was a result of costs associated with two large tradeshow which the Company participated in 2021-Q4 to promote the IGNITE brand. The Company did not participate in tradeshow during 2020-Q4 due to restrictions relating to COVID-19.

Marketing and promotion for 2020-Q4 totaled \$0.29MM, a decrease of \$3.28MM or 91.98% from \$3.56MM in 2019-Q4. The decrease is attributed to significant upfront expenditure by the Company in 2019 utilizing mass market (print and event) marketing programs to create initial brand awareness in the UK market.

- **Depreciation and amortization for 2021-Q4** totaled \$0.06MM, a decrease of \$0.01MM or -14.54% from \$0.07MM in 2020-Q4. The decrease is due to the conclusion of a property leased by the Company which the Company opted not to renew and the disposal of the related leasehold improvements.

Depreciation and amortization for 2020-Q4 totaled \$0.07MM, a decrease of \$0.76MM or 91.98% from \$0.83MM in 2019-Q4. The decrease is due to the disposal of two properties in 2020-Q3 leased by the Company which were classified as right-of-use assets under IFRS 16.

- **Bad debt expense for 2021-Q4** totaled \$0.63MM, an increase of \$0.53MM or 514.71% from \$0.10MM in 2020-Q4. The increase is directly related to the \$38.63MM increase in revenues for the period, starting from \$10.08MM in revenues in 2020-Q4 and increasing to \$48.71MM in 2021-Q4. For accounts receivable balances at the end of the

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



period, the Company applies the simplified approach, as defined in IFRS 9, to measure expected credit losses. Changes in the carrying amount of the allowance account are recognized in bad debt expense.

Bad debt expense for 2020-Q4 totaled \$0.10MM, a decrease of \$0.28MM or 73.17% from \$0.38MM in 2019-Q4. The decrease is a result of collection activities throughout 2020, a shift to servicing smaller accounts through wholesalers and distributors, and tighter credit terms.

Total operating expenses for 2021-YE were \$16.98MM, a reduction of \$5.68MM or 25.06% compared to \$22.66MM for 2020-YE. The decrease is attributed to the changes in each of the components of operating expense below.

Total operating expenses for 2020-YE were \$22.66MM, a reduction of \$23.79MM or 51.22% compared to \$46.46MM for 2019-YE. The decrease is attributed to the changes in each of the components of operating expense below.

The reductions year-over-year can be attributed to the changes in each of the components of operating expense below.

- **General and administrative costs for 2021-YE** primarily include payroll costs, office and facility expenses, consulting fees, professional fees and travel and accommodation costs. For the year, G&A costs totaled \$11.62MM, a decrease of \$2.85MM or 19.70% from \$14.47MM in 2020. The decrease is attributed to the changes in the components of G&A discussed below.

G&A for 2020-YE costs totaled \$14.47MM, a decrease of \$3.99MM or 21.61% from \$18.46MM for 2019-YE. The decrease is attributed to the changes in the components of G&A discussed below.

The below table represents G&A costs incurred by the Company during 2021-YE, 2020-YE, and 2019-YE and the variances in costs between the years:

	2021-YE	2020-YE	2019-YE	2021-YE vs 2020-YE	2021-YE vs 2020-YE	2020-YE vs 2019-YE	2020-YE vs 2019-YE
	\$	\$	\$	\$	%	\$	%
Payroll and benefits	6,618,926	8,924,059	11,169,060	(2,305,133)	-25.83%	(2,245,001)	-20.10%
Bank and merchant Fees	215,787	274,395	29,585	(58,608)	-21.36%	244,811	827.49%
Office expenses	1,566,700	1,756,403	785,406	(189,703)	-10.80%	970,997	123.63%
Facilities expense	636,792	678,001	713,642	(41,209)	-6.08%	(35,641)	-4.99%
Consulting and advisory fees	798,788	719,412	2,311,430	79,376	11.03%	(1,592,018)	-68.88%
Professional fees	1,365,407	1,310,429	1,393,701	54,978	4.20%	(83,272)	-5.97%
Insurance	138,445	230,991	623,041	(92,546)	-40.06%	(392,050)	-62.93%
Travel and accommodation	279,391	578,188	1,348,506	(298,797)	-51.68%	(770,318)	-57.12%
Research and development	-	-	87,272	-	0.00%	(87,272)	-100.00%
Total G&A expenses	11,620,236	14,471,878	18,461,642	(2,851,641)	-19.70%	(3,989,763)	-21.61%
% of G&A distribution							
Payroll and benefits	56.96%	61.66%	60.50%		4.70%		1.17%
Bank and merchant Fees	1.86%	1.90%	0.16%		0.04%		1.74%
Office expenses	13.48%	12.14%	4.25%		-1.35%		7.88%
Facilities expense	5.48%	4.68%	3.87%		-0.80%		0.82%
Consulting and advisory fees	6.87%	4.97%	12.52%		-1.90%		-7.55%
Professional fees	11.75%	9.06%	7.55%		-2.70%		1.51%
Insurance	1.19%	1.60%	3.37%		0.40%		-1.78%
Travel and accommodation	2.40%	4.00%	7.30%		1.59%		-3.31%
Research and development	0.00%	0.00%	0.47%		0.00%		-0.47%
Total G&A distribution	100.00%	100.00%	100.00%				



– ***Payroll and benefits:***

- **For 2021-YE**, the \$2.30MM (25.83%) decrease from 2020-YE was due to a reduction in the number of employees in the year. In 2021, the average number of employees for the year was 31 while it was 43 in 2020.

For 2020-YE, the \$2.25MM (20.10%) decrease from 2019-YE was due the Company undergoing three rounds of staffing reductions commencing in November of 2019 and ending in August 2020. This was achieved by streamlining many functions through centralization, the consolidation of roles where applicable, and the outsourcing of functions to achieve better labor force utilization.

– ***Bank and merchant fees:***

- **For 2021-YE**, the \$0.06MM (21.36%) decrease from 2020-YE is the result of the Company establishing a new banking facility in 2021 which provided fee savings particularly for merchant processing fees.

For 2020-YE, the \$0.24MM (827.49%) increase from 2019-YE is the result of the Company establishing new banking facilities to accommodate the addition of new subsidiaries in 2020.

– ***Office expenses:***

- **For 2021-YE**, the \$0.19MM (10.80%) reduction from 2020-YE is due to the Company's continued work from home policy and the reductions in staff.

For 2020-YE, the \$0.97MM (123.63%) increase from 2019-YE is due is related to IT expenditures. In 2019-Q4 the Company outsourced its IT support as well as for support of websites, e-commerce, and social media marketing activities. Additionally, the Company invested in an ERP system in late 2019-Q4 which incurred development and implementation costs throughout fiscal 2020; the expenditures have reduced throughout fiscal 2020 as the implementation was largely completed in 2020-Q4.

– ***Facilities expense:***

- **For 2021-YE**, the \$0.04MM (6.08%) decrease from 2020-Q4 relates to terminated office leases in the later part of 2020-YE.

For 2020-Q4, the \$0.04MM (4.99%) decrease from 2019-Q4 relates to terminated office leases in 2020-Q3.

– ***Consulting and advisory fees:***

- **For 2021-YE**, the increase of \$0.08MM (11.03%) from 2020-YE is the result of the Company requiring additional consulting in areas such as nicotine and spirits regulations, market activations and other compliance measures to meet operational requirements.

For 2020-YE, the decrease of \$1.59MM (68.88%) from 2019-YE is the result of higher expenditures in 2019 related to recruiting and consultancy costs incurred as the Company filled strategic positions focused on expanding operations both domestically and globally, as well as for public and investor relations pertaining to the RTO in May 2019. While the recruitment fees were more one-time in nature to support growth of operations, the Company has since eliminated several unnecessary and unproductive consultants and advisors in 2020-YE resulting in recurring cost savings.



– **Professional fees:**

- For 2021-YE, the \$0.05MM (4.20%) increase from 2020-YE is largely due to an increase in audit fees for the 2021 versus that of 2020.
- For 2020-YE, the \$0.08MM (5.97%) decrease from 2019-YE is due to a change in auditors for 2020-YE resulting in cost savings to the Company.

– **Insurance:**

- For 2021-YE, the \$0.09MM (40.06%) reduction from 2020-YE is the result of variations in coverage required in 2021 than that required in 2020.

For 2020-YE, the \$0.39MM (63.93%) reduction from 2019-YE is the result of management's efforts to achieve costs savings while obtaining the necessary coverages.

– **Travel and accommodation:**

- For 2021-YE, the \$0.30MM (51.68%) reduction from 2020-YE is the effect of travel restrictions due to the COVID-19 pandemic. The Company continued to exercise best practices throughout 2021 to ensure the safety and continued health of their staff, and only increasing travel in 2021-Q4.

For 2020-YE, the \$0.77MM (57.12%) reduction from 2019-YE is the effect of travel restrictions due to the COVID-19 pandemic. The decrease is primarily a result of global travel restrictions, while decreases were also realized from staff reductions and the establishment of UK and Asia operations.

- **Share based payments for 2021-YE** totaled \$0.44MM, a decrease of \$1.22MM or 73.72% from \$1.66MM in 2020. The decrease is due to forfeitures from employees who have left the Company, the reduction in the number of staff for the year, and the commencement of the second-year graded vesting of stock options issued on October 22, 2020.

Share based payments for 2020-YE totaled \$1.66MM, an increase of \$0.49MM or 42.23% from \$1.66MM for 2019-YE. The increase is due to a full year of expenses (in 2019 options were issued post May RTO) and timing of issuance as a majority were issued in 2019-Q4. To ensure the Company's goal congruence between itself and its employees in 2020-Q3, the Company, at the acceptance of its employees, cancelled 3.06MM of the issued and outstanding options which were priced at \$2.25. In the first month of 2020-Q4, the Company re-issued 2.46MM of its previously cancelled stock options and issued 2.39 new stock options at a price of \$0.50 which resulted in the reversal of the aforementioned recovery from 2020-Q3 and the continued expensing at the reduced valuation.

- **Marketing and promotion for 2021-YE** totaled \$3.41MM, a decrease of \$0.68MM or 16.58% from \$4.09MM for 2020-YE. The decrease was a result of a reduction in the available channels for marketing, such as tradeshow and in-person events, which due to the COVID-19 pandemic and the Company's commitment to the health and safety, continued to be limited in 2021.

Marketing and promotion for 2020-YE totaled \$4.09MM, a decrease of \$18.17MM or 81.63% from \$22.26MM for 2019-YE. The decrease is attributed to significant upfront expenditure by the Company in 2019 utilizing mass market (print and event) marketing programs to create initial brand awareness in the UK market where it launched its products in July 2019, and to expand awareness in the core US market supporting the expansion of its product lines;



fiscal 2020 redirect marketing efforts to the lower cost, more narrowly focused social and web-based channels to build on 2019 mass market activities at the product and regional level.

- **Depreciation and amortization for 2021-YE** totaled \$0.21MM, a decrease of \$1.77MM or 89.17% from \$1.98MM for 2020-YE. The decrease is due to the disposal of two properties leased by the Company in 2020 that were classified as right-of-use assets under IFRS 16 and the related leasehold improvements.

Depreciation and amortization for 2020-YE totaled \$1.98MM, a decrease of \$1.49MM or 42.23% from \$1.98MM for 2019-YE. The decrease is due to the disposal of two properties leased by the Company in 2020-Q3 that were classified as right-of-use assets under IFRS 16 and the related leasehold improvements.

- **Bad debt expense for 2021-YE** totaled \$1.20MM, an increase of \$0.82MM or 216.78% from \$0.38MM for 2020-YE. The increase is directly related to the \$61.83MM increase in revenues for the period, increasing from \$16.9MM in revenues in 2020 to \$78.78MM in 2021. For accounts receivable balances at the end of the year, the Company applies the simplified approach, as defined in IFRS 9, to measure expected credit losses. Changes in the carrying amount of the allowance account are recognized in bad debt expense.

Bad debt expense for 2020-YE totaled \$0.38MM, decrease of \$0.05MM or 11.85% from \$0.43MM for 2019-YE. The decrease is a result of collection activities throughout 2020-YE, a shift to servicing accounts through wholesalers and distributors, and tighter credit terms.

OTHER INCOME:

Other income is income derived from activities unrelated to the main focus of a business. Below are the amounts included within other income for 2021-Q4, 2020-Q4 and 2019-Q4.

	2021-Q4	2020-Q4	2019-Q4	2021-Q4 vs. 2020-Q4	2021-Q4 vs. 2020-Q4	2020-Q4 vs. 2019-Q4	2020-Q4 vs. 2019-Q4
	\$	\$	\$	%	%	\$	%
Debt Forgiveness	-	1,536,416	-	(1,536,416)	-100.00%	1,536,416	0.00%
Gain on debt extinguishment	-	-	-	-	0.00%	-	0.00%
Investment Gain	35,852	4,327,117	-	(4,291,265)	-99.17%	4,327,117	0.00%
Interest income	5,202	51,618	8,159	(46,416)	-89.92%	43,459	532.64%
Other income	27,132	-	183,625	27,132	0.00%	(183,625)	-100.00%
Total other income	68,186	5,915,151	191,784	(5,846,965)	-98.85%	5,723,367	2984.27%

Other income for 2021-Q4 totaled \$0.07MM, a decrease of \$5.85MM or 98.8% from \$5.92MM in 2020-Q4. The decrease is attributed to an \$3.6MM investment gain in 2020-Q4 associated with a sale of Numinus Wellness, Inc. shares held by the Company and previously sold. In addition, in 2020-Q4 the Company had \$1.54MM in interest forgiven on debt associated with the Series A and B convertible debentures.

Other income for 2020-Q4 totaled \$5.92MM, an increase of \$5.72MM or 2,984.27% from \$0.19MM in 2019-Q4. The increase is attributed to an investment gain in 2020-Q4 through the sale of its sole investment in Numinus Wellness, Inc. (NUMI). The Company assessed the investment in early 2020-Q4 and determined the holding of shares no longer aligned to managements strategic objectives.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



Below are the amounts included within other income for 2021-YE, 2020-YE and 2019-YE.

	2021-YE	2020-YE	2019-YE	2021-YE vs. 2020-YE	2021-YE vs. 2020-YE	2020-YE vs. 2019-YE	2020-YE vs. 2019-YE
	\$	\$	\$	%	%	\$	%
Debt Forgiveness	1,558,136	1,536,416	-	-	0.00%	1,536,416	0.00%
Gain on debt extinguishment	79,444	-	-	79,444	0.00%	-	0.00%
Investment Gain	266,796	4,417,117	-	(4,150,321)	-93.96%	4,417,117	0.00%
Interest income	11,710	62,212	231,989	(50,502)	-81.18%	(169,777)	-73.18%
Other income	1,148,351	-	184,585	1,148,351	0.00%	(184,585)	-100.00%
Total other income	3,064,437	6,015,745	416,574	(2,951,308)	-49.06%	5,599,171	1344.10%

Other income for 2021-YE was \$3.06MM, a decrease of \$2.96MM or 49.06% from \$6.02MM for 2020-YE. The decrease is attributed to the factors described in the paragraph above. Offsetting the decrease, the Company earned other income of \$0.75MM resulting from a sponsorship agreement for an online Pay Per View event featuring entertainer and social media celebrity KSI and other entertainers and celebrities (the “KSI Event”).

Other income for 2020-YE was \$6.02MM, an increase of \$5.60MM or 1,344.10% from \$0.42MM for 2019-YE. The increase is mainly due to the investment gain on the sale of the NUMI shares in 2020-Q4 as mentioned above.

OTHER EXPENSES:

Other expenses those expenses that are non-operating and do not have any relation to the main business operations. Below are the costs included within other expenses for 2021-Q4, 2020-Q4 and 2019-Q4.

	2021-Q4	2020-Q4	2019-Q4	2021-Q4 vs. 2020-Q4	2021-Q4 vs. 2020-Q4	2020-Q4 vs. 2019-Q4	2020-Q4 vs. 2019-Q4
	\$	\$	\$	%	%	\$	%
Interest expense	129,735	101,722	97,138	28,013	27.54%	4,584	4.72%
Interest accretion, leases	4,860	610	201,376	4,250	696.72%	(200,766)	-99.70%
Interest accretion, convertible debentures	872,514	621,709	264,328	250,805	40.34%	357,381	135.20%
Fair value adjustment on investment	-	-	750,000	-	0.00%	(750,000)	-100.00%
Gain/Loss on Contingent Assets	-	399,719	-	(399,719)	-100.00%	399,719	0.00%
Loss on disposal of capital assets	71,947	-	(120,170)	71,947	0.00%	120,170	100.00%
Write Down of Capital Assets	-	(19,545)	-	19,545	100.00%	(19,545)	0.00%
Inventory Impairment	708,210	2,205,249	3,436,518	(1,497,039)	-67.89%	(1,231,269)	-35.83%
Exchange gain/loss	89,384	(499,365)	402,984	588,749	117.90%	(902,349)	-223.92%
Acquisition Costs	-	22,700	-	(22,700)	-100.00%	22,700	0.00%
Goodwill impairment	-	-	18,355,408	-	0.00%	(18,355,408)	-100.00%
Total other expenses	1,876,650	2,832,799	23,387,582	(956,146)	-33.75%	(20,554,783)	-87.89%

Total other expenses for 2021-Q4 totaled \$1.88MM, a reduction of \$0.96MM or 33.75% from \$2.83MM for 2020-Q4. The main cause for the reduction is due to changes within other expenses as discussed below.

Total other expenses for 2020-Q4 totaled \$2.83MM, a reduction of \$20.55MM or 87.89% from \$23.39MM for 2019-Q4. The reduction in 2020-Q4 is mainly due to the \$18.36MM goodwill impairment that was recorded at 2019-YE resulting from an assessment by management of goodwill obtained in a 2019 RTO transaction. Other causes for the reduction are due to changes within other expenses as discussed below.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



- **Interest accretion, convertible debentures for 2021-Q4** was \$0.87MM, an increase of \$0.25MM or 40.34% from \$0.62MM for 2020-Q4. This increase is due to changes in accreted interest amounts caused by the consolidation of convertible debt into a single \$16.03MM convertible note, and due to the issuance of a new \$5.51MM convertible note in December of 2021.

Interest accretion, convertible debentures for 2020-Q4 was \$0.62, an increase of \$0.36MM or 135.20% from \$0.26 for 2019-Q4. This increase was due to a combined issuance of \$17.77MM in convertible debt in 2020.

- **Gain/loss on contingent assets for 2021-Q4** was \$nil, a 100% decrease from \$0.40MM 2020-Q4.

Gain/loss on contingent assets for 2020-Q4 was \$0.40MM, an increase of \$0.40 from \$nil in 2019-Q4. This increase was the result of discounting of a conversion of an option to purchase the Company held to a long-term receivable. The original option to purchase was US\$5MM; when the Company came to a mutual termination agreement pertaining to the lease, the option to purchase was reduced by US\$2.5MM (CA\$3.39MM) resulting in a write-down in 2020-Q3, converting the remainder to a long-term receivable of \$3.39MM.

- **Inventory impairments for 2021-Q4** was \$0.71MM, a decrease of \$1.50MM or 67.89% from \$2.21MM for 2020-Q4. This decrease was due to increased inventory controls implemented in 2021.

Inventory impairments for 2020-Q4 was \$2.21MM, a decrease of \$1.23MM or 35.83% from \$3.44MM for 2019-Q4. The decrease is due to a reduced amount of inventory requiring write down in 2020. The 2020-Q4 pertains to finished goods acquired with the acquisition of Ignite Distribution that the Company deemed non-saleable and intends to dispose of through destruction in 2021.

Below are the costs included within other expenses for 2021-YE, 2020-YE and 2019-YE.

	2021-YE	2020-YE	2019-YE	2021-YE vs. 2020-YE	2021-YE vs. 2020-YE	2020-YE vs. 2019-YE	2020-YE vs. 2019-YE
	\$	\$	\$	%	%	\$	%
Interest expense	409,467	337,712	796,232	71,755	21.25%	(458,520)	-57.59%
Interest accretion, leases	5,621	530,453	597,434	(524,832)	-98.94%	(66,981)	-11.21%
Interest accretion, convertible debentures	2,728,074	2,826,127	264,328	(98,053)	-3.47%	2,561,799	969.17%
Fair value adjustment on investment	-	-	750,000	-	0.00%	(750,000)	-100.00%
Gain/Loss on Contingent Assets	-	3,765,280	-	(3,765,280)	-100.00%	3,765,280	0.00%
Loss on disposal of capital assets	49,816	(176,876)	211,994	226,692	128.16%	(388,870)	-183.43%
Write Down of Capital Assets	-	-	-	-	0.00%	-	0.00%
Inventory Impairment	708,210	2,323,006	3,454,482	(1,614,796)	-69.51%	(1,131,476)	-32.75%
Exchange gain/loss	189,530	(467,915)	494,622	657,445	140.51%	(962,537)	-194.60%
Acquisition Costs	-	22,700	-	(22,700)	-100.00%	22,700	0.00%
Goodwill impairment	-	-	18,355,408	-	0.00%	(18,355,408)	-100.00%
Total other expenses	4,090,718	9,160,487	24,924,500	(5,069,769)	-55.34%	(15,764,013)	-63.25%

Total other expenses for 2021-YE totalled \$4.09MM, a reduction of \$5.07MM or 55.34% from \$9.16MM for 2020-YE. The decrease is largely attributed to the write down of a contingent asset in 2020 totalling \$3.45MM. Other causes for the reduction are due to changes within other expenses as discussed below.

Total other expenses for 2020-YE totalled \$9.16MM, a reduction of \$15.76MM or 63.25% from \$24.92MM for 2019-YE. The decrease is primarily attributed the \$18.36MM goodwill impairment that was recorded at 2019-YE resulting from an assessment by management of goodwill obtained in a 2019 RTO transaction. Other causes for the reduction are due to changes within other expenses as discussed below.



- **Interest accretion, convertible debentures for 2021-YE** was \$2.73MM, a decrease of \$0.10MM or 3.47% from \$2.83MM for 2020-YE. This decrease is due to changes in accreted interest amounts caused by the consolidation of convertible debt into a single \$16.03MM convertible note, along with the extinguishment of a Series A and B convertible debt in 2020-Q4 ceasing the related accreted interest thereon.

Interest accretion, convertible debentures for 2020-YE was \$2.83MM, an increase of \$2.56MM or 969.17% from \$0.26MM for 2019-YE. This increase was due to a combined issuance of \$17.77MM in convertible debt in 2020.

- **Gain/loss on contingent assets for 2021-YE** was \$nil, a 100% decrease from \$3.77MM for 2020-YE.

Gain/loss on contingent assets for 2020-YE was \$3.77MM, 100% increase from \$nil in 2019-Q4. This increase was the result of a write down on the conversion of an option to purchase the Company held to a long-term receivable. The original option to purchase was US\$5MM; when the Company came to a mutual termination agreement pertaining to the lease, the option to purchase was reduced by US\$2.5MM (CA\$3.39MM) resulting in a write-down in 2020-Q3, converting the remainder to a long-term receivable.

- **Inventory impairments for 2021-YE** was \$0.71MM, a decrease of \$1.61MM or 69.51% from \$2.32MM for 2020-YE. This decrease was due to increased inventory controls implemented in 2021 and due to the Company's improved purchase planning when it relates to stock.

Inventory impairments for 2020-YE was \$2.32MM, a decrease of \$1.13MM or 32.75% from \$3.45MM for 2019-YE. The decrease is due to a reduced amount of inventory requiring write down in 2020. The 2020-YE impairment pertains to finished goods acquired with the acquisition of Ignite Distribution that the Company deemed non-saleable.

ASSETS

Total assets at 2021-YE were \$60.25MM, an increase of \$33.82MM or 127.94%, compared to \$26.43MM at 2020-YE. The increase is largely attributed to rises in accounts receivables and inventory as described below.

- **Cash and equivalents at 2021-YE** were \$4.40MM, a decrease of \$1.06MM or 19.42% from \$5.46MM at 2020-YE. The decrease in cash is a result of increased inventory purchases to ensure the Company meets expected market demands. The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements. The Company does not use hedges or other financial derivatives.

Cash and equivalents at 2020-YE were \$5.46MM, a decrease of \$9.68MM from \$15.14MM at 2019-YE. The decrease in cash is a result of the operational net loss for the year, increased inventory mainly attributable to expansion of the product portfolio, and increased vendors payments as indicated by a decrease in accounts payable and increase in prepaid expenses.

- **Receivables at 2021-YE** were \$17.42MM, an increase of \$15.83MM or 992.78% from \$1.59MM at 2020-YE. The increase is attributed to higher sales as well as the timing of those sales which were heavily weighted toward the last month of the year as customers engaged the Company for larger purchases to stock up for their subsequent year. The Company extends credit to certain customers to a maximum credit term of net 30 days and has included, in the receivables balance, provisions for expected credit losses totaling \$1.21MM (2020-YE; 0.15MM).



Receivables at 2020-YE were \$1.59MM, an increase of \$0.14MM from \$1.46MM at 2019-YE. The nominal increase is attributable to higher sales in December 2020 compared to prior year.

- **Short-term receivables at 2021-YE** were \$3.12MM, a 100% increase from that of 2020-YE. This balance represents a reclassification of a previously reported long-term receivable to short term due to the maturation period becoming less than twelve months. When comparing to the long-term receivable, the \$3.12MM is an increase of \$0.11M or 3.52% from the \$3.02MM booked to *long-term* receivables at 2020-YE. The short-term receivable was created from an arm's length settlement agreement executed in 2020-YE, for a property previously leased by the Company in which the Company initially had the option to purchase the property (the "Settlement Agreement"). The minimum potential receivable, earned upon sale of the property is USD\$2.50MM. The increase is attributed the amortization at a discounted rate of 3.5% which is recorded by the Company to amortize the contingent receivable to its realizable value at maturity. Management reviews the Settlement Agreement on a quarterly basis for indicators of impairment in accordance with IFRS 9. Should future economic benefit no longer be expected, the asset would be derecognized. At the date of this MD&A, the Company expects to see future economic benefit; thus, has not recorded any additional impairment losses relating to the Settlement Agreement, and has continued to amortize the receivable.

Short-term receivables at 2020-YE and 2019-YE were \$nil.

- **Inventory at 2021-YE** was \$27.57MM, an increase of \$15.07MM or 120.58%, from \$12.50MM at 2020-YE. The increase is a result of large inventory purchases made by the Company to prevent stock shortages and to prepare for the forecasted sales for 2022. Revenues earned through the Company's wholesale channel in 2021-YE were 480.47% higher than those in 2020-YE. The Company anticipates continued success through their wholesale channel where orders are typically of higher quantities resulting in the necessity to carry higher levels of inventory. A reduction in an inventory provision accounts for a portion of this increase. A \$2.13MM or 62.64% in inventory provisions reductions were recorded by the Company in 2021-YE, reducing the provision to \$1.71MM for 2021-YE compared to \$3.40 for 2020-YE.

Inventory at 2020-YE was \$12.50MM, an increase of \$6.43MM or 105.95% from \$6.07MM at 2019-YE. The increase is attributable to purchases, mainly from China, for nicotine vaping devices. The Company accelerated purchases for 2021-Q1 to meet projected sales demand due to anticipated production and shipment delays attributable to the Chinese New Year. The remaining inventory includes some slower turnover stock keeping units ("SKU's"), mainly CBD products for the brick-and-mortar retail channels in the US and UK, that were purchased in anticipation of stronger year to date sales prior to the economic impacts of COVID-19. The Company maintains a provision for slow moving and obsolescent inventory which totaled \$3.4MM as of 2020-YE (2019-YE; \$3.4MM).

- **Deposits at 2021-YE** were \$5.00MM, an increase of \$4.63MM or 1,250.21%, from \$0.37MM at 2020-YE. The increase is a result of a large purchase order placed in December for the purchase of inventory.

Deposits at 2020-YE were \$0.37MM, a decrease of \$1.41MM or 79.19%, from \$1.78MM at 2019-YE. The decrease is a result of a reduction in vendor deposits and retainers at 2020-YE.



- **Prepaid expenses at 2021-YE** were \$1.30MM, a decrease of \$0.79MM or 37.80% from \$2.09MM at 2020-YE. The decrease is largely due to management's assessment of renewals of certain operational services and the decision to terminate those that no longer aligned to the Company's needs or deemed to have a low cost-benefit relationship when assessing the Company's strategic direction.

Prepaid expenses at 2020-YE were \$2.09MM, an increase of \$1.81MM or 645.79% from \$0.28MM at 2019-YE. The increase is attributable to purchases, mainly from China, for nicotine vaping devices. The Company accelerated 2021-Q1 projected sales due to anticipated production and possible shipment delays due to the Chinese New Year.

- **Long-term receivables at 2021-YE** were \$nil compared to \$3.02MM at 2020-YE, a 100% decrease. This balance represents a reclassification of a previously reported long term to receivable to short term due to the maturation period becoming less than twelve months (see short-term receivable discussion above).

Long-term receivables at 2020-YE were \$3.02MM at 2020-YE, a 100% increase from \$nil at 2019-YE. At 2019-YE, the Company had a \$6.5MM Option to purchase a property previously leased by the Company which assessed for impairment in 2020-YE. The result of the assessment was a write down of the option to purchase by 50% and a long-term receivable of US\$2.5MM representing the minimum the Company is contractually entitled to when the underlying property is sold.

- **Investments at 2021-YE** were \$nil compared to \$0.50MM at 2020-YE. The reduction is due to the sale of NUMI shares in 2021-Q1, which were previously held by the Company. The Company no longer holds any investments.

Investments at 2020-YE were \$0.50MM, a reduction of \$0.25MM or 33.63% compared to \$0.75 at 2019-YE. The reduction is due the change in fair market value of the NUMI shares and to the sale of NUMI shares in December 2020, with \$0.50MM representing the remaining investment.

LIABILITIES

Total liabilities at 2021 YE were \$38.03MM, an increase of \$23.40MM or 159.89% compared to \$14.63MM at 2020-YE. The increase is attributed to an increase in debt related instruments and accounts payable and accrued liabilities as discussed below.

Total liabilities at 2020 YE were \$14.63MM, a decrease of \$19.12MM or 56.65% compared to \$33.75MM at 2019-YE. The decrease is mainly the result of a decrease in debt related instruments, lease obligations and accounts payable and accrued liabilities as discussed below.

- **Accounts payable and accrued liabilities at 2021-YE** totaled \$12.78MM, an increase of \$9.52MM or 292.08% from \$3.26MM at 2020-YE. The increase is largely due to higher inventory purchases triggering larger invoice amounts to meet the Company's wholesale channel demands.

Accounts payable and accrued liabilities at 2020-YE totaled \$3.26MM, a decrease of \$2.33MM or 41.70% from \$5.59MM at 2019-YE. The decrease is a result of lower trade payables as the Company has significantly lowered



expenditures. Accrued liabilities also decreased due to lower vacation accruals resulting from headcount reductions throughout 2020 to “right size” staffing levels.

- **Short-term loans at 2021-YE** totaled \$3.88MM an increase of 100% due to the Company having no short-term loans at 2020-YE. This increase is due to the Company issuing a short-term USD\$3.00MM promissory note in December 2021 to finance a large inventory purchase (the “II USD\$3.0MM Note”). Included in the \$3.88MM, the Company also had a \$0.04MM Canadian Emergency Business Account (“CEBA”) loan, which was issued to Ignite Pubco, which due to maturation within the next twelve months, has been reallocated from long-term to short-term.

The Company also issued four additional short-term promissory notes throughout 2021. The Company issued a USD\$1.50MM note to fund a sponsorship of an online pay per view event the Company participated (the “II USD\$1.5MM Note”), which was settled by the Company, along with related interest in 2021-Q3. In addition, to meet the demands of inventory requirements, the Company issued a CAD\$1.00MM note (the “II CAD\$1.0MM Note”), a USD\$1.74MM Note (the “II USD\$1.7MM Note”), and a USD\$1.89MM Note (the “II USD\$1.8MM Note”). In December 2021, to provide the Company with an alternative option for settlement through capital issuance in lieu of cash, the Company elected to consolidate the II CAD\$1.0MM Note, the II USD\$1.7MM Note, and the II USD\$1.8MM Note into one long-term convertible debenture (the “II CAD\$5.5M Convertible Debt”).

Outside of the CEBA loan, the issuances of the short-term notes were to II, a related party by virtue of a common member of each board of directors.

The Company did not have any short-term loans for 2020-YE or 2019-YE.

- **Short-term convertible debt liability at 2021-YE** totaled \$15.56MM, an increase of \$10.33MM or 197.55% from \$5.23MM for 2020-YE. This increase is the result of the Company issuing a \$3.21MM convertible debenture (the “II CAD\$3.2MM Convertible Debt”) to finance its investment in Ignite Distro Co., and a \$1.00MM short-term convertible debenture (the “II CAD\$1.0MM Convertible Debt”) in the first quarter of 2021 to assist with short-term cash flow requirements. The increase is also attributed to the issuance of a single \$16.00MM convertible debenture issued to II, which in addition to cash proceeds of \$1.00MM, consolidated a \$5.00MM convertible debt (the “II CAD\$5.0M Convertible Debt”) which was considered long-term at 2020-YE, along with the II CAD\$3.2MM Convertible Debt and the II CAD\$1.0MM Convertible Debt.

Short-term convertible debt liability at 2020-YE totaled \$5.23MM, an increase of \$5.03MM or 2603.99% from \$0.19MM for 2019-YE. The increase is the result of the issuance of an ‘on-demand’ \$6.37MM convertible debt (the “II CAD\$6.5MM Convertible Debt”), and the related interest thereon. During 2020-YE, the Company also issued a short-term \$2.68MM in convertible notes (the “MMS USD\$0.5MM Convertible Debt,” and the “II CAD\$2.0MM Convertible Debt,”). The II MMS USD\$0.5MM Convertible Debt was settled through the issuance of shares and the II CAD\$2.0MM Convertible Debt was settled by 2020-YE.

- **Due to related parties at 2021-YE** totaled \$0.50MM, an increase of \$0.48MM or 1,998.89% from \$0.02MM at 2020-YE. This increase is largely due to expenses relating to the publication of ‘The Setup’, an autobiography written by the Company’s CEO, Dan Bilzerian which were paid on behalf of the Company by Blitz NV, LLC, a Company owned by the



CEO of Ignite. The Setup is included in the Company's merchandise revenues and is sold on the Company's website, Ignite.co, and on Amazon.

Due to related parties at 2020-YE totaled \$0.02MM, a decrease of \$0.05MM or 65.18% from \$0.07MM at 2019-YE. This decrease is due to timing of expense reimbursements.

- **Short-term lease obligations at 2021-YE** were \$0.08MM, an increase of \$0.06MM or 216.02% from \$0.02MM at 2020-YE. This increase is the result of management's aim to increase efficiencies in its product distribution and fulfillment, and to design heavier controls around its inventories. To achieve this, the Company executed a five-year lease to establish its warehouse operations in Farmers' Branch, Texas. The new facility allows the Company to cease certain 3PL relationships and engage in its own distribution and fulfillment of wholesale orders.

Short-term lease obligations at 2020-YE were \$0.02MM, a decrease of \$4.01MM or 99.39% from \$4.03MM at 2019-YE. The decrease is a result of the Company terminating two long term leases in California. Both leases were classified as ROU assets and as such were recorded on the balance sheet in PPE and lease obligations. The Company has one remaining lease for a nominal amount expiring in November 2021 which is classified short term leases at year end.

- **Long-term loans at 2021-YE** were \$nil, a 100% reduction from the \$1.62MM at 2020-YE. This reduction was the result of two forgiven loans; \$1.37MM for an SBA loan granted to Ignite US and \$0.20MM for a PPP loan granted to Ignite Distro to assist with operations caused by uncertainties brought on by the COVID-19 pandemic. The Company also had a \$0.04MM Canadian Emergency Business Account loan which was issued to Ignite Pubco, which due to maturation within the next twelve months, has been reallocated to short-term loans.

Long-term loans at 2020-YE were \$1.62MM, a 100% increase from \$nil at 2019-YE. The increase was due to the Company being granted a \$1.37MM SBA loan and a \$0.20MM PPP loan as mentioned above.

- **Long-term convertible debt liability at 2021-YE** totaled \$4.76MM, a \$0.28MM or 6.35% increase from \$4.48MM at 2020-YE. This increase is attributed to the consolidation of three promissory notes; the II CAD\$1.0MM Note, the II USD\$1.7MM Note, and the II USD\$1.8MM Note into one single long-term convertible debenture (the "II CAD\$5.5M Convertible Debt") (see *short-term loans for further discussion*). Offsetting this increase, is the consolidation of the II CAD\$5.0MM Convertible Debt into the II CAD\$16MM Convertible Debt (see *short-term convertible debt for further discussion*).

Long-term convertible debt liability at 2020-YE totaled \$4.48MM, a \$13.53MM or 69.13% decrease from \$18.01MM at 2019-YE. The decrease is largely a result of a share-for-debt transaction between the Company and its CEO and Chairman on October 26, 2020 (refer to note 9 in December 31, 2020 Consolidated Financial Statements) in which \$20.00MM in convertible debentures (Series A and B Convertible Debt) were purchased and then immediately converted to equity in the Company. Partially offsetting this is additional debt raised by way of convertible debentures in 2020 to facilitate the acquisition of Ignite Distribution LLC, and to fund day to day operations and inventory purchases (the "II USD\$3.35M Convertible Debt", and the II CAD\$5.0MM Convertible Debt").

- **Long-term lease obligations at 2021-YE** were \$0.48MM, a 100% increase from \$nil at 2020-YE. This increase is the result the execution of a five-year lease to establish its warehouse operations in Farmers' Branch, Texas (see *short-term lease obligations for further discussion*).



Long-term lease obligations at 2020-YE were \$nil, a \$1.74MM decrease from \$1.74MM at 2019-YE. This decrease is the result of the Company terminating two long term leases in California (see short-term lease obligations for further discussion).

SHAREHOLDERS EQUITY

Shareholder's equity at 2021-YE totaled \$22.22MM, an increase of \$10.42MM or 88.31% from \$11.80MM at 2020-YE. \$4.72MM of the increase is due to the equivalent increase in net income earned in 2021. Contributing to the increase is an issuance of two million of the Company's Subordinate Voting Shares by way of private placement for proceeds of \$2.9MM which increased the Company's share capital. The increase is also attributed to the equity portion calculations caused by the issuance of the II CAD\$16MM Convertible Debt and the II CAD\$5.5MM Convertible Debt which were partially offset by the extinguishment of all previously issued convertible debts as described above in short-term and long-term convertible debenture liability.

Shareholders' equity at 2020-YE totaled \$11.80MM, an increase of \$6.82MM compared to \$4.98MM at 2019-YE. The increase is a result of the share-for-debt transaction by the Company's CEO and Chairman contributing \$20.00MM to share capital, and the accompanying purchase of \$5.00MM in proportionate voting shares. Partially offsetting this is the net loss for 2020 recorded in accumulated deficit for \$19.37MM.

7. NON-IFRS FINANCIAL MEASURES

Management uses net loss and comprehensive loss as presented in the consolidated statements of net loss and comprehensive loss as well as "EBITDA" and "Adjusted EBITDA" as a measure to assess performance of the Company. EBITDA is another financial measure and is reconciled to net loss and comprehensive loss below under "Results of Operations" as a supplemental financial measure to further assist readers in assessing the Company's ability to generate income from operations before considering the Company's financing decisions, depreciation of property, plant and equipment and amortization of right of use assets and intangible assets. EBITDA comprises net income or loss for the period adding back, interest and taxes, depreciation, and amortization. Adjusted EBITDA comprises net income or loss for the period adjusted for interest and taxes, depreciation, and amortization, as well as non-cash expenses such as share-based compensation, exchange gain/loss, bad debt and other items that are not in the normal course of the business.

EBITDA and Adjusted EBITDA does not represent the actual cash provided by the operating activities nor are these supplements a recognized measure of financial performance under IFRS. Readers are cautioned that these measures should not be considered as a replacement for those as per the consolidated financial statements prepared under IFRS. The Company's definitions of this non IFRS financial measure may differ from those used by other companies. As there are no standardized methods of calculating non-IFRS measures, the Company's approaches may differ from those used by other companies in the industry and may not be comparable as a result. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered independently or in substitution for measures prepared in accordance with IFRS.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



The Company has calculated EBITDA and Adjusted EBITDA for 2021-Q4, 2020-Q4, 2019-Q4 and 2021-YE, 2020-YE, 2019-YE as follows:

	2021-Q4	2020-Q4	2019-Q4	2021-YE	2020-YE	2019-YE
	\$	\$	\$	\$	\$	
Net Income (Loss) for the period	7,731,781	3,011,790	(34,125,958)	5,685,049	(19,371,927)	(68,829,799)
Less:						
Interest income	(5,202)	(51,618)	(8,159)	(11,710)	(62,212)	(231,989)
Add back:						
Interest expense	129,735	101,722	97,138	409,467	337,712	796,232
Interest accretion	877,374	622,319	465,705	2,733,695	3,356,580	861,762
Depreciation and amortization	64,043	68,793	828,004	214,140	1,977,288	3,468,011
Income tax	(226,848)	4,977	-	(222,979)	10,863	-
EBITDA	8,570,883	3,757,983	(32,743,271)	8,807,662	(13,751,696)	(63,935,783)
Less:						
Exchange gain	-	(499,365)	402,984	-	(467,915)	-
Investment gain	(35,852)	(4,327,117)	-	(266,796)	(4,417,117)	-
Debt forgiveness	-	(1,536,416)	-	(1,558,136)	(1,536,416)	-
Gain on debt extinguishment	-	-	-	(79,444)	-	-
Gain on disposal of capital assets	-	(19,545)	-	-	(176,876)	-
Add back:						
Share-based payments	562,529	1,653,148	770,436	437,553	1,664,819	1,170,520
Exchange Loss	89,384	-	-	189,530	-	494,622
Loss on disposal of capital assets	71,947	-	(120,170)	49,816	-	211,994
Loss on contingent asset	-	399,719	-	-	3,765,280	-
Inventory impairment	708,210	2,205,249	3,436,518	708,210	2,323,006	3,454,482
Acquisition costs	-	22,700	750,000	-	22,700	750,000
Bad debt expense	629,469	102,401	381,276	1,202,362	379,562	430,567
Adjusted EBITDA	10,596,571	1,758,757	(27,122,228)	9,490,757	(12,194,653)	(57,423,598)

8. LIQUIDITY AND CAPITAL RESOURCES

The main sources of liquidity are the Company's cash, working capital, and debt issuances. As at 2021-YE, the Company had no off-balance sheet arrangements (2020-YE; \$nil).

WORKING CAPITAL

Working capital of the Company for 2021-YE (defined as current assets less current liabilities) was \$26.03MM, an increase of \$12.55MM or 93.08%, compared to \$13.48MM at 2020-YE. The increase is due to large increases in receivables, deposits, and inventory. The increase is offset by increases in accounts payable and accrued liabilities, short-term loans and convertible debt. In establishing debt related instruments, the Company has been able to fulfill its 2022 forecast by ensuring products on hand for expected sales in the first and second quarters of 2022.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



Working capital of the Company for 2020-YE totaled \$13.48MM, a decrease of \$1.34MM compared to \$14.85MM at 2019-YE. The decrease is largely due to the \$9.68MM reduction cash, deposits, and accounts payable and accrued liabilities, and lease obligations, offset by increases in inventory and convertible debt.

	As at 2021-YE	As at 2020-YE	As at 2019-YE	2021-YE vs. 2020-YE	2021-YE vs. 2020-YE	2020-YE vs. 2019-YE	2020-YE vs. 2019-YE
	\$	\$	\$	\$	%	\$	%
Cash and equivalents	4,401,697	5,462,783	15,138,092	(1,061,086)	-19.42%	(9,675,309)	-63.91%
Receivables	17,422,233	1,594,306	1,456,618	15,827,927	992.78%	137,688	9.45%
Short-term receivable	3,124,258	-	6,069,264	3,124,258	0.00%	(6,069,264)	-100.00%
Inventory	27,572,256	12,499,793	1,779,498	15,072,463	120.58%	10,720,295	602.43%
Deposits	4,999,206	370,254	-	4,628,952	1250.21%	370,254	0.00%
Prepaid expenses	1,301,078	2,091,655	280,462	(790,577)	-37.80%	1,811,193	645.79%
Total current assets	58,820,728	22,018,791	24,723,934	36,801,937	167.14%	(2,705,143)	-10.94%
Accounts payable and accrued liabilities	12,780,612	3,259,668	5,591,154	9,520,944	292.08%	(2,331,486)	-41.70%
Short-term Loans	3,877,551	-	193,333	3,877,551	0.00%	(193,333)	-100.00%
Short-term Convertible Debt	15,555,014	5,227,698	4,126,937	10,327,316	197.55%	1,100,761	26.67%
Due to related parties	496,912	23,675	67,990	473,237	1998.89%	(44,315)	-65.18%
Short-term lease obligations	77,707	24,589	4,025,502	53,118	216.02%	(4,000,913)	-99.39%
Total current liabilities	32,787,796	8,535,630	14,004,916	24,252,166	284.13%	(5,469,286)	-39.05%
Working capital	26,032,932	13,483,161	10,719,018	12,549,771	93.08%	2,764,143	25.79%

The objective when managing the Company's liquidity and capital structure is to maintain sufficient cash to fund working capital needs. The following is the cash flow from operating, investing, and financing activities by the Company for 2021-YE, 2020-YE and 2019-YE is as follows:

	As at 2021-YE	As at 2020-YE	As at 2019-YE	2021-YE vs 2020-YE	2021-YE vs 2020-YE	2020-YE vs 2019-YE	2020-YE vs 2019-YE
	\$	\$	\$	\$	%	\$	%
Operating activities	(7,226,746)	(23,358,188)	(49,936,457)	15,929,901	68.20%	26,578,269	53.22%
Investing activities	686,630	4,324,230	4,976,981	(3,637,600)	-84.12%	(652,751)	-13.12%
Financing activities	5,344,584	9,474,486	46,058,558	(4,129,206)	-43.58%	(36,584,072)	-79.43%

OPERATING ACTIVITIES

Net cash used in operating activities for 2021-YE was \$7.43MM, a \$15.93MM or 68.20% decrease from the \$23.36MM used in 2020-YE. The decrease is a result of the following:

- Net income for 2021-YE increased to \$5.69MM (2020-YE; \$19.37MM loss, 2019-YE; \$68.83MM loss)
- The changes to items not affecting cash were \$9.49MM (2020; \$10.50MM; 2019-YE; \$29.95MM). Items not affecting case is primarily composed of:
 - \$2.73MM in interest accretion and \$1.55MM in accrued coupon interest on convertible debt (2020-YE; \$2.83MM and \$1.91MM, respectively, 2019-YE; \$0.26MM and \$0.19MM respectively).

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



- -\$1.59MM in loan forgiveness for the SBA and PPP loans issued in response to COVID-19 (2020-YE and 2019-YE; \$nil)
 - \$0.71MM in Inventory impairments (2020-YE; \$2.32MM, 2019-YE; \$3.45MM).
 - \$0.44MM in share-based payments (2020-YE; \$1.66MM, 2019-YE; \$1.17MM).
 - \$0.16MM in depreciation of property, plant and equipment and \$0.05MM in amortization of intangible assets (2020-YE; \$1.93MM and \$0.05MM, 2019-YE; \$3.36MM and \$0.12MM, correspondingly).
 - \$nil goodwill impairment for 2021-YE (2020-YE; \$nil, 2019-YE; \$18.36M)
- The decrease to non-cash working capital of \$16.92MM (2020-YE; \$12.85MM decrease, 2019-YE; \$10.06MM decrease) was predominantly made up of:
 - Decrease in cash collections of accounts receivable by \$15.87MM (2020-YE; \$0.19MM decrease; 2019-YE; \$0.96MM decrease)
 - Increase in cash retained for accounts payables of \$8.75MM (2020-YE; \$1.78MM decrease; 2019-YE; \$2.80MM increase)
 - Increase in prepaid expenses of \$0.79MM (2020-YE; \$1.84MM decrease; 2019-YE; \$1.72MM increase)
 - Decrease in deposits amounting to \$5.26MM (2020-YE; \$1.61MM increase, 2019-YE; \$1.79MM decrease)
 - Decrease in inventory of \$4.25MM (2020-YE; \$8.76MM decrease, 2019-YE; \$9.61MM decrease)

INVESTING ACTIVITIES

Net cash proceeds from investing activities for 2021-YE was \$0.69MM, a \$3.64MM or 84.12% decrease from the \$4.32MM used in 2020-YE. The decrease is attributed the sale of an investment in NUMI held by the Company which increased cash by net \$0.69MM (2020; \$4.67MM).

Net cash proceeds from investing activities for 2020-YE was \$4.32MM, a \$0.65MM or 13.12% decrease from the \$4.98MM provided in 2019-YE. The decrease is attributed \$4.54MM in proceeds collected by the Company in 2019-YE for the RTO transaction, along with the collection of a loan amounting to \$0.94MM.

FINANCING ACTIVITIES

Net cash proceeds from financing activities for 2021-YE were \$5.35MM, a \$4.13MM or 43.58% decrease from the \$9.47MM in proceeds during 2020-YE. The decrease is due to a lower amount attributed to debt issuances. During 2021-YE, the Company received cash proceeds amounting to \$5.86MM for debt issuances; whereas during 2020-YE, cash received from debt issuances amounted to \$12.62MM. Contributing to the decrease are payments towards the Company's lease obligations of \$0.04MM for 2021-YE (2020-YE; \$2.13MM).

Net cash proceeds from financing activities for 2020-YE were \$9.47MM, a \$36.58MM or 79.43% decrease from the \$46.06MM in proceeds during 2019-YE. The decrease is due to proceeds in 2019-YE of \$25.76MM for the 2019 RTO transaction, along with the issuance of the Series A and Series B convertible debt for proceeds of \$20.00MM. Offsetting the decrease is a \$4.67MM gain on the sales of NUMI shares during 2020-YE.

Change in cash during 2021-YE was a reduction of \$1.06MM (2020-YE; \$9.68MM reduction; 2019-YE; \$1.86MM increase).

IGNITE INTERNATIONAL BRANDS, LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



DEBT

The Company relies on the issuances of debt as one of its' main sources of liquidity. Below are the terms of promissory notes and convertible debt issued by the Company for the 2021-YE and 2020-YE.

PROMISSORY NOTES:

During 2021-YE, the Company issued the following promissory notes.

	II USD\$1.5MM Note	II CAD\$1.0MM Note	II USD\$1.7MM Note	II USD \$1.8MM Note	II USD\$3.0MM Note
Date of Issue	2021-05-24	2021-06-10	2021-10-01	2021-10-14	2021-12-10
Lender*	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.
Note value	USD\$1,500,000	CAD\$1,000,000	USD\$1,738,400	USD\$1,886,349	USD\$3,000,000
Interest rate	10%	10%	10%	10%	10%
Maturity date	2021-09-30	2021-12-15	On Demand	2021-12-31	On Demand
Purpose of issuance	Funding for KSI Sponsorship	Short-term cashflow	Finance large inventory purchase	Finance large inventory purchase	Finance large inventory purchase
Security:	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Collateral	None	None	None	None	None

*International Investments, Ltd. is a related party by virtue of a common member of each board of directors.

The II CAD\$1.0MM Note, the II USD\$1.7MM Note and the II USD\$1.8MM were extinguished by consolidation of the outstanding principal and related interest into the II CAD\$5.5MM Convertible Debt. The Company settled the II USD\$1.5MM Note and related interest there on in 2021-Q3 (see long-term convertible liability in the Financial Performance section of this MD&A). At 2021-YE, only the II USD\$3.0MM Note remained outstanding, which was settled post year-end on March 31, 2022 (see Recent Events).

During 2020-YE, the Company issued the following promissory notes.

	Canadian Emergency Business Account ("CEBA") Loan	Small Business Administration ("SBA") Loan	Paycheck Protection Program ("PPP") Loan	IIC CAD\$1MM Note
Date of Issue	2020-04-01	2020-04-23	2020-04-28	2020-11-09
Lender*	Canadian Government	City National Bank	Esquire Bank, N.A.	International Investments Company, Inc.
Note value	CAD\$40,000	USD\$1,079,687	USD\$159,486	CAD\$1,000,000
Interest rate	0%	1%	1%	10%
Maturity date	2021-12-31	2022-04-23	2022-04-28	2020-12-21
Purpose of issuance	Covid relief	Covid relief	Covid relief	Short-term cashflow
Security:	Unsecured	Unsecured	Unsecured	Unsecured
Collateral	None	None	None	None

*International Investments Company, Inc. is a related party by virtue of a common member of each board of directors.

At 2020-YE, there were no promissory notes outstanding.

IGNITE INTERNATIONAL BRANDS, LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



CONVERTIBLE DEBENTURES:

During 2021-YE, the Company issued the following convertible debentures.

	II CAD\$3.2MM Convertible Debt	II CAD\$1.0MM Convertible Debt	II CAD\$16MM Convertible Debt	II CAD\$5.5MM Convertible Debt
Date of Issue	2021-01-27	2021-02-04	2021-03-31	2021-12-16
Lender*	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.
Note value	CAD\$3,204,250	CAD\$1,000,000	CAD\$5,513,644	CAD\$5,513,644
Coupon interest rate	10.00%	10.00%	10%	10%
Default interest rate	20.00%	20.00%	18%	18%
Coupon interest payments due:	On Demand	On Maturity	Quarterly	Quarterly
Maturity date	On Demand	2021-06-30	2023-03-31	2023-03-31
Exercise price	105% of prior day close	105% of prior day close	CAD\$1.25	CAD\$1.40
Security	Unsecured	Unsecured	Unsecured	Unsecured
Collateral	None	None	None	None
Purpose of issuance:	Capital Investment Ignite Distro Co.	Excess cashflow for operations	Debt consolidation/ admin purposes	Debt consolidation/ settlement alternative

*International Investments, Ltd. is a related party by virtue of a common member of each board of directors.

The II CAD\$16MM Convertible Debt and the II \$5.5MM Convertible Debt were issued by the Company to consolidate previously issued debt (see short-term and long-term convertible debentures under Financial Performance) and are the only convertible debentures outstanding at 2021-YE.

During 2020-YE, the Company issued, or had outstanding during the year, the following convertible debentures.

	Series A Convertible Debt	Series B Convertible Debt	II CAD\$5.0MM Convertible Debt	II USD\$3.35MM Convertible Debt	MMS USD\$0.5MM Convertible Debt	II CAD\$2.0MM Convertible Debt	II CAD\$6.5MM Convertible Debt
Date of Issue	2019-10-25	2020-12-10	2020-06-08	2020-06-11	2020-06-11	2020-10-16	2020-11-16
Lender*	Liza Holdings, Ltd.	Liza Holdings, Ltd.	International Investments, Ltd.	International Investments, Ltd.	ECVD/MMS Wholesale, LLC	International Investments, Ltd.	International Investments, Ltd.
Note value	CAD\$10,000,000	CAD\$10,000,000	CAD\$5,000,000	CAD\$3,350,000	CAD\$500,000	CAD\$2,000,000	CAD\$6,537,500
Coupon interest rate	8.00%	8.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Default interest rate	8.00%	8.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Coupon interest payments due:	Semi-Annually	Semi-Annually	On Maturity	On Maturity	On Maturity	On Maturity	On Demand
Maturity date	2022-10-24	2022-12-10	Earlier of: 2022-06-07 or \$10M EBITDA & \$10M free-cashflow in same period	Earlier of: 2022-06-11 or \$10M EBITDA & \$10M free-cashflow in same period	2021-06-11	2020-11-15	On Demand
Exercise price	CAD\$2.66	CAD\$2.39	CAD\$1.58	CAD\$1.55	CAD\$1.53	125% of prior day close	CAD\$1.00
Security	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Collateral	None	None	None	None	None	None	None
Purpose of issuance:	Finance Startup operations	Finance Startup operations	Finance Startup operations	Acquisition of NCI for Ignite Distro.	Acquisition of NCI for Ignite Distro.	Excess cashflow for operations	Excess cashflow for operations
Attached Warrants							
Subordinate voting share warrants	2,500,000	2,500,000	-	-	-	-	-
Exercise price	CAD\$3.32	CAD\$3.22	-	-	-	-	-
Expiry date	2022-10-25	2022-12-10	-	-	-	-	-
Additional valuation inputs							
Stock price on date of grant	CAD\$2.23	CAD\$1.45	-	-	-	-	-
Discount Factor	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	-
Risk-free rate	1.68%	1.68%	-	-	-	-	-
Volatility	143.82%	95.06%	-	-	-	-	-
Interest accretion rate	12.29%	11.94%	23.28%	23.79%	32.33%	17.17%	-
Dividends	\$nil	\$nil	-	-	-	-	-

*International Investments, Ltd. is a related party by virtue of a common member of each board of directors.

The II CAD\$5.5MM Convertible Debt and the II \$6.5MM Convertible Debt are the only convertible debentures that were outstanding at 2020-YE.



GOING CONCERN

In assessing the Company's ability to continue as a going concern, management evaluates whether its plans mitigate adverse conditions and events that may raise substantial doubt about an entity's ability to continue as a going concern, when implemented, will alleviate substantial doubt. In assessing going concern, management determines the probability that the strategic plans will be effectively implemented within one year after the date that the annual audited financial statements are issued.

Determining probability requires analysis of key indicators, including but not limited to:

- Actual financial results providing historical information and trends for the Company
- Annual budget and forecasts for the subsequent year, and years thereafter
- Forecast of future cash flows
- Existing executed contracts and anticipated contracts in the pipeline
- Strategic plans and market activations including expected timelines
- Economic conditions, market demands, production quality and capital expenditures
- Potential challenges that may alter estimated timelines and revenue projections
- All debt related instruments including the maturity dates and contract terms, along with the ability to obtain new funding should it be required.

When probable that management's plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements were issued, it is determined that the Company is able to continue as a going concern.

As at 2021-YE, management has reviewed the 2021 results and the forecast for the next twelve months and has concluded that the Company is operating and will continue to operate at a profit. Within the assessment, management noted the positive EBITDA and adjusted EBITDA achieved in 2021, specifically 2021-Q4 which was \$8.57MM and \$10.60MM, respectively (2020-YE; \$3.76MM and \$1.76MM, respectively). The \$26.03MM in working capital at 2021-YE, an increase of \$12.55MM or 93.08%, compared to \$13.48MM at 2020-YE also provides indication that the Company will be able to settle liabilities as they become due. Management has also conducted a thorough review of existing and anticipated revenue generating contracts, along with reviewing the forecasted sales for the next twelve months. The result of this review provided indicators that the Company will continue to operate as a going concern. In addition to the positive outlook, the Company has options available for debt issuances should the need arise within the next twelve months.



9. SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the nine most recently completed quarters:

Quarter Ended	Revenues	Cost of goods sold	Gross profit	Net income (loss)	Net income (loss) per share ⁽¹⁾
	\$	\$	\$	\$	\$
December 31, 2021	48,713,193	33,193,319	15,519,874	7,731,781	0.02
September 30, 2021	14,364,134	11,396,725	2,967,409	(1,640,741)	(0.01)
June 30, 2021	12,049,900	8,067,319	3,982,581	(524,525)	0.00
March 31, 2021	3,651,029	2,648,288	1,002,741	118,786	0.00
December 31, 2020	10,078,631	5,736,460	4,342,171	3,011,790	0.01
September 30, 2020	1,729,843	1,238,578	491,265	(5,842,118)	(0.02)
June 30, 2020	3,170,827	2,305,591	865,236	(7,636,004)	(0.03)
March 31, 2020	1,694,658	1,066,191	628,467	(9,061,040)	(0.03)

⁽¹⁾ Fully diluted loss per share amounts are not shown as they would be anti-dilutive or the results of the fully diluted are of equal value due to rounding as the net income (loss) per share.

The Company has incurred significant operating costs relating to the start-up of its operations and preparations for global operations over the last eight quarters. These costs include expenses related to commercial activations, brand development and brand awareness initiatives, along with costs related to ensuring IGNITE product lines are compliant with the regulations of jurisdictions to which the Company operates or is planning to operate.

During 2021-YE, the Company continued to generate revenues from sales of various IGNITE branded products and through licensing the use of the Ignite trademark with focus on its wholesale channel. During 2021, the Company improved revenues by \$61.83MM moving from \$16.94MM generated during 2020-YE to \$78.78MM in total revenues for 2021-YE.



10. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	2021-YE	2020-YE
	\$	\$
Management salaries, bonuses, and other benefits	1,404,481	1,186,463
Share-based payment – management	354,396	852,019
Share-based payments – directors	166,415	91,392
Total	1,925,292	2,129,874

AMOUNTS DUE TO/FROM RELATED PARTIES

As 2021-YE, the Company had the following amounts due to related parties:

- The Company had outstanding payables of \$496,912 due to Blitz NV, LLC, a company controlled by the CEO, for operational expenditures paid on behalf of the Company (2020; \$23,675). The Company included this amount in due to related parties in the statement of financial position.
- The Company is indebted to II for convertible debt issuances which have been included in short-term and long-term convertible debt on the statement of financial position. II is related to the Company by virtue of a common member, Gregory Gilpin-Payne, and the balances owed are as follows:
 - \$16,037,717 in principal and \$404,163 in related interest on the II \$16MM Convertible Debt (2020; \$nil).
 - \$5,513,644 in principal and \$22,659 in related interest on the II \$5.5MM Convertible Debt (2020; \$nil).
- The Company is indebted to II \$3,815,583 in principal and \$21,968 in related interest for the II USD \$3.0MM Note (2020; \$nil), which has been included in short-term loans on the statement of financial position.

At 2020-YE, the Company had the following amounts due to related parties:

- The Company had outstanding payables of \$23,675 due to Blitz NV, LLC. The Company included this amount in due to related parties in the statement of financial position.
- The Company was indebted to II for convertible debt issuances which have been included in short-term and long-term convertible debt and contributed surplus on the statement of financial position, and the balances owed are:
 - \$5,000,000 in principal and \$282,192 in related interest on the II \$5.0MM Convertible Debt.
 - \$5,147,099 in principal and \$80,599 in related interest on the II \$6.5MM Convertible Debt.



RELATED PARTY TRANSACTIONS

During the period ended December 31, 2021, the Company entered into the following transactions with related parties. See the Debt section under note 8 for details relating to debt issuances and note 11 for details relating to stock options or shares of the Company. Additional information can be found in note 18 Debts and note 19 Capital and Reserves in the Company's Audited Financial Statements on the Company's profile at www.sedar.com.

- Two members of the Board of Directors (the "Board") resigned. Each member held 100,000 of stock options of the Company which vesting was accelerated on resignation.
- The Company appointed two new members to the Board. On appointment each Board member was granted 100,000 stock options of the Company. The Company also granted two existing Board 100,000 stock options each.
- The CEO purchased 82,600 Subordinate Voting Shares of the Company in the public market.
- On September 10, 2021, the Chief Financial Officer resigned forfeiting 400,000 stock options, and an Interim Chief Financial Officer was appointed.
- The Company renewed a trademark and copyright agreement between Ignite and Blitz NV, LLC, a company controlled by the CEO. The renewal was USD\$50,000.
- Various operating expenditures totaling \$431,816 were paid by Blitz NV, LLC on behalf of the Company.
- The Company issued four (4) convertible debentures to II at an aggregate of \$25,752,611. The issuance included a \$16,034,717 convertible debenture (the "II CAD\$16MM Convertible Note") which consolidated all convertible debt owing to II prior to March 31, 2021. The Company issued the II \$16MM Note for the ease of administration of an all-in-one note, and in order to allow for a single debt repayment date for forecasting purposes. Also included is the issuance of a \$5,513,644 convertible debenture (the "II CAD\$5.5MM Convertible Note"), which consolidated all promissory notes and related interest owing to II as at December 15, 2021. The Company issued the II CAD\$5.5M Convertible Note to provide the Company with an alternative for settlement of debt through the issuance of capital. The extinguishment of the original financial liabilities and the recognition of the new financial liability for the II CAD\$16MM Convertible Note was assessed and executed under IFRS9 - IAS 32.
- The Company settled \$803,932 in coupon interest owing on convertible debt issued to II.
- The Company issued five (5) short-term promissory notes to II at an aggregate of \$11,170,851. On December 16, 2021, \$5,513,644 of these issuances were consolidated into the II CAD\$5.5M Convertible Debt as noted above.
- The Company settled \$2,115,991 in principal and \$78,238 in interest owing on promissory notes issued to II.

During the year ended December 31, 2020, the Company entered into the following transaction with related parties. See the Debt section under note 8 for details relating to debt issuances and note 11 for details relating to stock options or shares of the Company. Additional information can be found in note 18 Debts and note 19 Capital and Reserves in the Company's Audited Financial Statements on the Company's profile at www.sedar.com.

- The Company issued a US\$200,000 non-interest-bearing promissory note to Ignite Social, LLC and incurred US\$31,821 in Ignite Social expenses. These amounts were deemed uncollectible and written off to bad debt.
- A member of the Board resigned, and three new Board members were appointed during the year. The Company granted 100,000 stock options for each new appointment.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



- The Chief Financial Officer (“CFO”) resigned, forfeiting 400,000 stock options, and a new CFO was appointed and granted 400,000 stock options.
- The Company granted 1,500,000 stock options to a newly appointed President who resigned within the period and on resignation, the options were forfeited.
- The Company cancelled and reissued the stock options as part of a solution to motivate and retain employees during a period in which the stock price drastically reduced from market conditions caused by COVID. The Company allowed option holders to surrender their underwater options for cancellation in exchange for new options that reset to a new vesting period. Of the options cancelled, 2,100,000 stock options were held by related parties. 1,600,000 of these options were reissued to parties considered related to the Company, including the CFO, two directors and the President.
- The Company entered into a series of purchase agreements with the CEO of the Company, and the holder of the Series A and Series B Convertible Debentures (the “Seller”) to settle the Series A and Series B Convertible Debentures in the amount of \$20,000,000, resulting in the issuance of 200,000 Proportionate Voting Shares to the CEO of the Company. \$1,536,417 in accrued interest related to the Series A and B convertible Debentures was forgiven by the CEO on closing.
- The CEO of the Company subscribed for, and the Company issued, 50,000 Proportionate Voting Shares of the Company for net proceeds of \$5,000,000. \$2,000,000 of the \$5,000,000 in net proceeds were sent direct to II to settle the principal balance on the II CAD\$2.0M Convertible Debt, and \$3,000,000 was paid to the Company.
- The Company renewed a trademark and copyright agreement between Ignite and Blitz NV, LLC, a company controlled by the CEO. The renewal was USD\$50,000.
- In connection with the Shared Services Agreement (“SSA”) with Blitz NV (“Blitz”) paid US\$57,789 for salaries.
- Various operating expenditures totaling \$316,801 were paid by Blitz NV, LLC on behalf of the Company.
- Though a definitive share purchase agreement, the Company purchased all the outstanding shares of Ignite Distribution, Inc., resulting in wholly ownership of the subsidiary (the “Ignite Distro Acquisition”). In conjunction with the Ignite Distro Acquisition, the Company issued the II USD\$3.35M Convertible Debt and the MMS USD\$500,000 Convertible Debt, and in addition issued 285,205 subordinate voting shares to II and 35,651 subordinate voting shares to MMS.
- The Company issued four (4) convertible debentures to II at an aggregate of \$18,077,755, which includes the II USD\$3.35M Convertible Debt issued in conjunction with the Ignite Distro Acquisition. Also included is an issuance of a \$6,357,500 convertible debenture (the “II CAD\$6.5M Convertible Debt”) to fund a large inventory purchase in which the funds were sent directly from II to the Company’s main supplier.
- The MMS USD\$0.5M Convertible Debt and \$1,300 in related interest thereon, was settled through the issuance of 443,823 Subordinate Voting Shares.
- The Company issued a \$1,000,000 promissory note (the “IIC CAD\$1.0MM Note”) to International Investments Company, Inc., a related company by virtue of a common Board member. The IIC CAD\$1.0MM Note and \$11,506 in related interest thereon was settled by the Company in full.
- II made purchases of product from the Company amounting to \$5,862,130. This amount was settled to the Company in exchange of debt owing by the Company to II. The goods sold to II may have included some of the goods purchased by the Company through the issuance of the II \$CAD6.5MM Convertible Debt which was sent directly to the supplier from II.

IGNITE INTERNATIONAL BRANDS, LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



11. SECURITIES OUTSTANDING

The Company had the following shares issued and outstanding at 2021-YE, and 2020-YE:

Shares	Subordinate Voting Shares	Proportionate Voting Shares	As converted
	#	#	#
Balance, December 31, 2020	107,967,933	998,625	307,692,933
Balance, December 31, 2021	109,967,933	998,625	309,692,933

At 2021-YE and 2020-YE, the Company had the following securities outstanding which are exercisable for subordinate voting shares:

Security	Securities Exercisable at 2021-YE	Total Securities Outstanding at 2020-YE
	#	#
Stock options	1,263,333	55,781
Warrants	5,000,000	5,000,000

The following table summarizes the Company's stock options outstanding as at 2021-YE:

Expiry date	Outstanding			Exercisable	
	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	\$	#	(years)	#	(years)
30-Apr-23	5.00	40,000	1.33	40,000	1.33
22-Oct-24	0.50	3,086,665	2.81	1,190,000	2.81
21-Dec-24	0.70	100,000	2.98	33,333	2.98
8-Mar-26	1.10	500,000	4.19	-	-
25-Mar-26	1.10	100,000	4.23	-	-
23-Mar-25	1.09	50,000	3.23	-	-
19-Apr-25	0.76	30,000	3.30	-	-
11-May-25	0.77	25,000	3.36	-	-
21-Jun-25	0.72	10,000	3.47	-	-
1-Jul-25	0.92	550,000	3.50	-	-
8-Jul-25	1.05	30,000	3.52	-	-
19-Jul-25	1.18	200,000	3.55	-	-
27-Jul-25	1.08	20,000	3.57	-	-
16-Aug-25	1.15	10,000	3.63	-	-
24-Aug-25	1.19	50,000	3.65	-	-
15-Sep-25	1.58	100,000	3.71	-	-
18-Oct-25	1.19	50,000	3.80	-	-
25-Oct-25	1.13	250,000	3.82	-	-
1-Nov-25	1.13	15,000	3.84	-	-
17-Dec-25	1.40	200,000	3.96	-	-
		5,416,665	3.20	1,263,333	2.77



12. CONTINGENCIES AND COMMITMENTS

NOTICE OF CLAIM

On December 2, 2021, the Company’s subsidiary, Ignite International Brands (Canada) Ltd. (“IGNITE Canada”) filed a statement of claim against NOYA CANNABIS INC., formerly RADICLE MEDICAL MARIJUANA INC. a.k.a RADICAL MEDICAL MARIJUANA INC. (“Radicle”) in Ontario Superior Court of Justice for breach of contract. IGNITE Canada asserts that Radicle has breached the terms of their agreement with respect to amounts owing to IGNITE Canada. IGNITE Canada is also claiming the return of the balance of an advanced payment that was made by IGNITE Canada to Radicle upon the execution of their agreement (“Advanced Payment”). Radicle filed a defense and counterclaim on February 28, 2022 claiming breach of contract and seeking a declaration from the court that they are entitled to retain the balance of the Advanced Payment.

On December 21, 2021, the Company’s subsidiary, Ignite International, Ltd. (“IGNITE USA”) commenced a civil action in United States District Court, District of Arizona against Higher Connection LLC and its principals (“HC”) claiming breach of contract and theft/conversion of IGNITE USA’s products. IGNITE USA asserts that HC, who provided fulfillment services under contract with IGNITE USA, removed IGNITE USA products from inventory and sold the products without IGNITE USA’s knowledge or consent. HC retained the majority of the proceeds of sales despite IGNITE USA’s repeated requests for reimbursement.

LEGAL

The Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management’s consultation with legal counsel, the ultimate outcome of such matters will not have a material adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

13. REGULATORY OVERVIEW

Below is a summary of the applicable regulatory framework to which the Company abides to sell IGNITE branded products in the applicable jurisdictions.

<p>Ignite International Brands, Ltd. (“Ignite Pubco” or the “Company”) <i>(Parent)</i></p>	<p>Reporting to the CSE and OTCQX under IFRS standards. Ignite Pubco incurs legal and other professional fees as is responsible for allocation of funding to the various subsidiaries.</p> <p>The Company’s subsidiaries operate within sectors that are overseen by regulatory bodies (CBD, nicotine, alcohol, beverage). These subsidiaries ensure that appropriate SOPs are implemented with strategic partners engaged by the subsidiaries to white label manufacture and, in some instances, distribute the relevant products that ensure regulatory compliance with relevant legislation. Regulations around these sectors continues to develop, and the Company and its subsidiaries remain exposed to any detrimental changes to regulations that cannot be foreseen. The Company and its subsidiaries employ boutique counsel to advise on any ongoing and potential regulatory issues in each sector and rely on counsel maintained by its strategic partners in this regard.</p>
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IGNITE INTERNATIONAL BRANDS, LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



Ignite International, Ltd. (“Ignite US”)
(Wholly owned subsidiary)

Originally incorporated as a private company under the name Vulcan Enterprises US, Ltd., by the State of Wyoming on December 28, 2017. On October 30, 2018, the component’s name was changed to Ignite International, Ltd. (“Ignite US”). On May 30, 2019, the component was acquired by Ignite International Brands, Ltd., and become the acquirer in a reverse takeover. Ignite US engages in the development and distribution of IGNITE branded nicotine and beverage, and apparel products for sale across the United States, in accordance with regulatory standards through direct to consumer and wholesale channels of trade.

Ignite US is not required to maintain a license to operate in the THC product sector as it does not participate in the cannabis space. Currently, a license is not required to sell CBD (hemp) based products. The Company sells these products within wholesale and direct to consumer channels across the United States. The sale of IGNITE nicotine products is primarily regulated at the state level. Ignite US holds valid state tobacco licenses as required to sell in certain states in the United States. Ignite US abides by the licensing requirements for sale of its nicotine products throughout the country and is PACT (Prevent All Cigarette Trafficking) Act registered and compliant both federally and in each state that requires PACT Act compliance. The PACT Act regulates the mailing and taxation of smokeless tobacco products. Ignite US is also registered and holds all required resale certificates/permits to conduct business in the various states it conducts commerce in.

Ignite International Brands (U.K.) Ltd. (“Ignite UK”)
(Wholly owned subsidiary)

Incorporated on May 2, 2019 under the Companies Act 2006 by the Companies House England and Wales, United Kingdom. Ignite UK is engaged in wholesale and ecommerce sales focused on cannabidiol (“CBD”) and CBD related consumer goods for sale and distribution in the United Kingdom and European Union.

CBD products in the United Kingdom are regulated by the *Misuse of Drugs Act 1971* and vape products are regulated by the *Tobacco and Related Products Regulations 2016*. Ignite UK tests all of its products using independent third-party testing providers to ensure compliance with the substance limits. Further regulations existing in the United Kingdom for labelling under the *Consumer Products and Unfair Trading Regulations 2008* and the *Human Medicines Regulations 2012*. To ensure compliance, Ignite UK has its internal legal team review all marketing and advertising materials prior to usage to ensure no medicinal claims are made about its products and the products are not directed to youth.

Ignite International Brands (Canada), Ltd. (“Ignite Canada”)
(Wholly owned subsidiary)

Originally incorporated on April 16, 2019 under the name 1205431 B.C. Ltd. and changed its name to Ignite International Brands (Canada) Ltd. (“Ignite Canada”), under the Business Corporations Act with the Register of Companies in the Province of British Columbia, on May 21, 2019. Ignite Canada facilitates the distribution partnerships of IGNITE branded products in Canada, including nicotine and spirits. Ignite Canada ceased licensing branded products to licensed cannabis companies in the fall of 2022 and no longer participates in that industry. Vaping products manufactured, labelled, advertised, imported or sold in Canada are subject to Tobacco and Vaping Products Act, Canada Consumer Product Safety Act, Food and Drugs Act Non-smokers' Health Act. Ignite Canada is compliant with all laws and regulations referred to herein. Testing is conducted on its products by third party industry experts and the company has specific policies to ensure its products and related marketing are not directed to youth and are only visible in age gated environments. Alcohol products are subject to both federal and provincial laws including: (i) The Importation of Intoxicating Spirits Act; (ii) Regulations Respecting the Information to be Displayed on Alcohol Containers and their Packaging; (iii) Food and Drug Regulations; and (iv) provincial liquor laws with respect to marketing, sale, distribution and taxation. Ignite Canada products are manufactured by licensed manufacturers, who ensure compliance with applicable manufacturing and packaging laws and sold into provincial liquor boards and other channels by licensed sales agents. The company has specific policies to ensure its products and related marketing are not directed to youth and comply with provincial marketing/promotion regulations.

Ignite Internacional Marcas de Mexico, SA de CV. (“Ignite Mexico”)
(Wholly owned subsidiary)

Incorporated in Mexico City, Mexico on October 15, 2019. Ignite Mexico was established to facilitate marketing, creation, manufacture, importation, exportation of CBD (derived from cannabis or other materials) and nicotine and all related respective products. Ignite Mexico is currently inactive.

IGNITE INTERNATIONAL BRANDS, LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2021



<p>Ignite International Brands (Luxembourg) S.A. (“Ignite LUX”) <i>(Wholly owned subsidiary)</i></p>	<p>Incorporated on December 21, 2017 under the name E.B S.A. On acquisition on May 29, 2020 the company changed the name to Ignite International Brands (Luxembourg) S.A. (“Ignite LUX”). The Company acquired Ignite LUX to facilitate distribution of certain IGNITE branded products in non-North American regions. Ignite LUX will offer IGNITE branded nicotine, CBD, apparel and spirits to the EMEA.</p>
	<p>LUX is in good standing corporately and only sells into regions where its products are legal and only sold to licensed distributors (if required). LUX does not currently require any specific licenses at this time as the sales it facilitates are to licensed distributors in regions that do not require further licensing by LUX.</p>
<p>Ignite Spirits, Inc. (“Ignite Spirits”) <i>(Wholly owned subsidiary)</i></p>	<p>Incorporated on July 29, 2020 in the state of Wyoming, United States. Ignite Spirits engages in the distribution of IGNITE branded alcohol-based beverages throughout the United States.</p> <p>The 21st Amendment to the US Constitution sets the primary regulatory framework with respect to alcohol, which allows each state to regulate the sale, importation, distribution and possession of the alcohol. The Alcohol Tobacco Tax and Trade Bureau (“TTB”) regulates and collects taxes on the sale of alcohol at the federal level. Advertising, Labeling, and Formulation Division (“ALFD”) of the TTB regulates certain packaging and promotional aspects of alcohol. Ignite’s formulations and packaging are compliant with TTB regulations and Ignite only sells products to distributors who are licensed to sell alcohol in the applicable state and ensures evidence of licensing and compliance as part of the contracting process with Ignite distributors.</p>
<p>Ignite International Brands SDN. BHD (“Ignite MYR”) <i>(Wholly owned subsidiary)</i></p>	<p>To facilitate distribution of certain IGNITE CBD branded products in Asia.</p> <p>Ignite MYR licenses (under license from Ignite US) the IGNITE brand to a licensed manufacturer and distributor of CBD products in the region. Other than set out herein, Ignite MYR does not require special licensing or authorizations to license the IGNITE brand.</p>
<p>Ignite Distribution Company, Inc. (“Ignite DistroCo”) <i>(50.1% owned joint venture)</i></p>	<p>Incorporated on December 28, 2020 in the state of Wyoming, United States. Ignite DistroCo was initially established to facilitate the sale of IGNITE branded nicotine devices to distributors throughout United States. Ignite DistroCo has since been dissolved.</p>
<p>Ignite Distribution, Inc. <i>(Wholly owned subsidiary)</i></p>	<p>Inactive</p>
<p>Ignite Beverages, Inc. <i>(Wholly owned subsidiary)</i></p>	<p>Inactive</p>

14. RISKS AND UNCERTAINTIES

In addition to the risks identified in this section and elsewhere in this MD&A, a number of factors that could cause actual results to vary significantly from the results discussed herein are noted in the Company’s most recent Listing Statement, as adjusted to reflect the Company’s licensing-only business in the cannabis industry. The occurrence of any of such risks, or other risks not presently known to the Company or that the Company currently believes are immaterial, could materially and adversely affect the Company’s investments, prospects, cash flows, results of operations or financial condition. An investment in the Company should be considered highly speculative.

COVID-19

In December 2019, COVID-19 surfaced. Since then, the outbreak has spread to over 200 countries and territories and infections have been reported around the world. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020. In response to the outbreak, governmental authorities in Canada and internationally introduced various recommendations and measures to try to limit the pandemic,



including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. While these effects are expected to be temporary, their duration and the related business disruptions and financial impact cannot be reasonably estimated at this time. To date, the disruptions have had a limited impact on the Company's operations. Although management believes that, at this time, these disruptions will not have a long-term impact on the Company's results from operations, the extent to which COVID-19 may have a sustained impact on our results is uncertain and our future results may be negatively impacted.

Currency Fluctuations

Due to the Company's operations in the United States, and its intention to continue future operations outside Canada, the Company may be exposed to significant currency fluctuations. All or substantially all of the Company's financings will be raised in Canadian dollars, but a substantial portion of the Company's operating expenses are incurred in US dollars. There is no expectation that the Company will put any currency hedging arrangements in place. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition, and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the recreational cannabis industry in Canada and the U.S. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Liquidity

The Company cannot predict at what prices the Subordinate Voting Shares will trade. The price of the Subordinate Voting Shares may fluctuate significantly due to the market's reaction general market and economic conditions. There is a significant liquidity risk associated with an investment in the Company. There can be no assurance that an active and liquid market for the Subordinate Voting Shares will be maintained, and an investor may find it difficult to resell any securities of the Company.



Additional Financing

The Company's ability to implement its business plan may depend on its ability to obtain additional financing. The Company cannot provide assurance that it will be able to secure additional financing on terms favorable to the Company or at all. If adequate funds are not available on acceptable terms, the Company's ability to continue and grow its businesses would be dependent on the cash flow, if any, from its operations, which may not be sufficient. If additional funds are raised through the issuance of shares, the percentage ownership of then-current shareholders may be reduced, such holders may experience additional dilution and such new securities may have rights, preferences or privileges senior to those of the Company's previously issued shares.

Competition

The Company has numerous competitors throughout North America utilizing a substantially similar business model. Excessive competition may impact sales and may cause the Company to reduce prices of its products. Any material reduction in prices could have a material adverse effect on the Company. The Company will be operating in a highly competitive industry where it may compete with numerous other companies in the cannabis industry, some of which may have far greater resources, more experience, and more qualified personnel than it does. There can be no assurance that the Company will be able to successfully compete against these other entities. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support.

The Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect its business, financial condition, and results of operations.

Risk Related to Capital Markets

If the Company raises capital by issuing debt securities, such debt securities would rank senior to the Company Shares upon its bankruptcy or liquidation. In addition, the Company may raise capital by issuing equity securities that may be senior to the Company Shares for the purposes of dividend and liquidating distributions, which may adversely affect the market price of the Company Shares. Finally, upon bankruptcy or liquidation, holders of its debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of the Company's available assets prior to the holders of the Company Shares. Additional equity offerings may dilute the holdings of existing shareholders or reduce the market price of the Subordinate Voting Shares, or both.

The market price of the Subordinate Voting Shares has been and is likely in the future to be volatile. The Subordinate Voting Shares may fluctuate in response to factors such as: halting of trading by the CSE, SEC or FINRA, announcements by us regarding liquidity, legal proceedings, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments, loan, note payable and agreement defaults, loss of our subsidiaries and impairment of assets, issuance of convertible or equity securities for general or merger and acquisition purposes, issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes, sale of a significant number of shares of our by shareholders, general market and economic conditions, quarterly variations in our operating results, investor relation activities, announcements of technological innovations, new product introductions by us or our competitors, competitive activities, and additions or departures of key personnel.



These broad market and industry factors may have a material adverse effect on the market price of Subordinate Voting Shares, regardless of our actual operating performance. These factors could have a material adverse effect on its business, financial condition, and/or results of operations.

Risks Related to Other Laws and Regulations

The industry in which the Company will operate may subject the Company to compliance with a myriad of other federal, state, provincial and local laws and regulations, which could include, among others, laws and regulations relating to nicotine, personally identifiable information, wage and hour restrictions, health and safety matters, consumer protection and environmental matters. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products. Compliance with such laws and regulations may be costly and a failure to comply with such laws and regulations could result in fines, penalties, litigation, and other liability that could materially adversely affect the Company.

The Company's business and products are and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Further, the Company cannot predict what kind of regulatory requirements its business will be subject to in the future. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Additionally, governmental regulations affect taxes and levies, healthcare costs, energy usage and labor issues, all of which may have a direct or indirect effect on the Company's business and its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, or its customers or suppliers, or restrict the Company's actions, causing the Company to be materially adversely affected.

Officers and Directors Exercise Significant Control

As of the filing date, the officers and directors, or entities related to the Company by virtue of a common board member, will own approximately 2.67MM of the issued and outstanding Subordinate Voting Shares (assuming the conversion of the Proportionate Voting Shares to Subordinate Voting Shares at the Conversion Ratio) and are expected to control approximately 86% of the votes of the Company pursuant to their ownership. The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its securities. Accordingly, for any matters with respect to which a majority vote of the Company Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers will exercise a significant amount of voting power in the Company, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.



CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Ignite International Brands, Ltd. hereby applies for the listing of the above-mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true, and plain disclosure of all material information relating to Ignite International Brands, Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 2nd day of May, 2022.

/s/ Dan Bilzerian

Dan Bilzerian

Chief Executive Officer and Director

/s/ Scott Rohleder

Scott Rohleder

Interim Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ Lester Lee

Lester Lee

Director

/s/ Vered Elkouby Nisim

Vered Elkouby Nisim

Director